

The Austrian

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Presidential Campaigns

AND ECONOMIC MYTHS





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From the publisher

Jeff Deist

Politics and economics don't mix — or at least they shouldn't. Last time I checked, none of the presidential candidates was talking about the laws of physics or thermodynamics. They don't claim to run for office as scientists or technicians. But they certainly take liberties with the science of economics.

As William Anderson explains in our cover article, presidential election years bring out the worst in economic myth-peddling. But the biggest issue of all — the Fed — goes strangely unremarked.

Presidential elections in the United States spawn Really Bad Economic Policies, and 2016 is a vintage year. Bernie Sanders is resurrecting socialism, and others seek to outdo him. However, before leaping into the abyss of campaign rhetoric, I first note that none of the current candidates are doing what Ron Paul did during his presidential primary campaign four years ago: expose misdoings of the Federal Reserve System.

Candidates promise everything from living wages to free health care and college. Proposals about how to run whole segments of the economy are made with a straight face. The most tired and hackneyed ideas about income equality, corporate greed, unemployment, and paying one's fair share are trotted out. And millions of voters apparently believe it all, falling for the same promises of free stuff and prosperity from Washington.

How do political candidates get away with this nonsense year after year and election after election? That is the question to be explored at our upcoming (as I write this) Mises Circle event in Seattle. Several hundred people will join us for a great brunch at the historic Town Hall venue, with talks by Walter Block, Tom Woods, Bob Murphy, and Lew Rockwell. Dr. Block, a childhood classmate of Bernie Sanders but not a fan, explains the real reason progressives so dearly love minimum wage laws. Tom and Bob will tape a live version of their popular Contra Krugman show, while Lew Rockwell explains how and why economic illiteracy makes campaign mythmaking so prevalent.

Speaking of candidates, "Secretary" Hillary Clinton has a ghostwritten campaign book entitled *Hard Choices*. We couldn't resist subjecting it to a review by David Gordon. As Dr. Gordon explains, most of her choices — especially the decision to run for president — weren't so hard after all. In

fact, Hillary seems more tedious than brave: every choice, David explains, simply involves reliance on "the directing hand of government." Her view of America is one of a child who needs constant correction, while her foreign policy outlook reminds David of what Burke called an "armed doctrine."

Also in this issue, Dr. Guido Hülsmann presents the case for viewing charity quite differently. While private giving is always preferable to state welfare schemes, we often fail to understand the role of markets even in purely charitable scenarios. Both the giver and the recipient benefit, and the guidance provided by market prices provides critical insight into what kind of giving provides the most benefit. In other words, a socialist economy lacks the needed market price signals to make effective charity possible.

"God bless the America
we are trying to create."

Hillary Clinton

Our Q&A features Nathan Bond, a Mises Institute Member who applied his foundation in Austrian economics to build a very successful online business. Rifle Paper Co. is now a leading stationary company, with sales worldwide. But in 2009 it was just an idea that began in the garage of Nathan and his wife, artist Anna Bond. Since then, the company has been featured in *Inc.* and *Forbes* magazines. Reading Austrian economics helped Nathan better understand the crucial role of the entrepreneur, and how business can provide a valuable social function. It also helped him understand business cycles, which was invaluable for a company birthed in the time of the 2008–2009 financial crisis.

I hope you'll agree that people like Nathan Bond are why the Mises Institute exists. As an Institute Member, we ask you to share our website and social media feeds with as many people as possible. Our traffic is growing, as is interest in Austrian economics. But the 2016 election makes it clear that economic illiteracy may be the biggest problem America faces. ■■■

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Jeff Deist is president of the Mises Institute.

Peddling Economic Myths

by William L. Anderson



Presidential elections in the United States spawn Really Bad Economic Policies, and 2016 is a vintage year. Bernie Sanders is resurrecting socialism, and others seek to outdo him. However, before leaping into the abyss of campaign rhetoric, I first note that *none* of the current candidates are doing what Ron Paul did during his presidential primary campaign four years ago: expose misdoings of the Federal Reserve System.

Without Paul, candidates approve of the Fed's Eternal Bubble Machine that sends false investment signals, and drives crony capitalism malinvestments that either must be liquidated in the future or will continue to gobble resources from profitable sectors. Indeed, one wonders if *any* of the candidates realize the damage the Fed is doing.

Bernie Sanders

On that happy note, we turn to Sanders. In an earlier article on his economic proposals, I wrote Sanders emulates Benito Mussolini — someone Sanders is supposed to hate. Like Mussolini (who, like his ally Adolf Hitler, hated free markets and fancied himself a socialist), Sanders does not seek actual government seizure of property, but rather seeks *de facto* government ownership through taxation and regulation.

Sanders definitely will raise taxes. For example, he says he will tax Wall Street “speculation” to raise funds to pay “free” tuition at public institutions. Likewise, he wants to raise the top marginal rates above 50 percent and substantially increase taxes on capital gains and dividends.

Sanders believes that wealthy people absorbing huge tax increases won’t change their behavior afterward, which demonstrates Sanders’s zero understanding of finance or production of goods. In fact, he claims the American middle class is “created” by wealth transfers. Sanders declares: “if you have seen a massive transfer of wealth from the middle class to the top one-tenth of 1 percent, you know what, we’ve got to transfer that back if we’re going to have a vibrant middle class. And you do that in a lot of ways. Certainly one way is tax policy.”

In one sense, Sanders is correct; there is a wealth transfer from the middle class to the wealthy, but it is occurring because of the policies Sanders supports. If Sanders has any criticisms of the Fed, it is his belief that interest rates should be even *lower*. He supports vast subsidies given to “green energy” producers that involve diversion of resources from higher-valued to lower-valued uses. He supports policies that subsidize home ownership and he supports the huge central bank purchases of sovereign debt that have choked productive economic activity.

I also mention Sanders’s outright hostility toward free exchange, be it international trade or a kid’s lemonade stand. Socialists can’t comprehend how free exchange is mutually beneficial, while Sanders believes free markets are predatory, and government coercion is freedom. (It is true he is speaking out on government trade *deals*, which are not “free trade” in any sense of the word, but neither has Sanders expressed any support for lowering of trade barriers.)

Economist Gerald Friedman of the University of Massachusetts-Amherst claims that incomes will “soar” under Sanders’s policies, and that poverty would be cut in half. How? Friedman says it would be done by “pouring \$14.5 trillion into the economy” via subsidies, public works, health-care “savings,” and new taxes. In other words, Sanders would make opportunity cost disappear.

One wonders if *any* of the candidates realize the damage the Fed is doing.

Hillary Clinton

Since Clinton is favored to win the November presidential election, her proposed economic policies matter more than do Sanders’s (although it is more fun to write about Sanders). Thanks to the Sanders challenge, her stump speeches are full of anti-Wall Street rhetoric, which is ironic, since she has made millions of dollars from speaking fees paid by Wall Street firms, and the very crony capitalism she denounces made Hillary and her husband very wealthy.

One doubts seriously that hedge fund managers pay less tax than an average nurse or truck driver (as she claimed in an Iowa speech), but unlike Sanders, a True Believer in socialism and his left-wing rhetoric, Clinton simply is trying to get elected. This does not mean, however, that Hillary supports free markets. It’s just that she uses populist-left rhetoric to win elections.

If there is an economic model for Clinton to follow, it would be Barack Obama’s current one, for Hillary is a candidate of the status quo. For all of the “change” rhetoric from Obama, his actual economic regime was more of the same, but “more” was on steroids. The Fed continued (and greatly expanded) its late Bush-era policy of purchasing long-term treasuries and mortgage securities, and a Hillary presidency likely would see QE to the “nth” power.

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WILLIAM L. ANDERSON, CONTINUED

When Clinton talks “free trade,” she speaks not of free exchange, but political trade “deals” in which politically-favored firms receive privileges and benefits in making deals with foreign governments. Instead of simply allowing goods to cross borders unimpeded, these treaties like NAFTA and the newest proposed trade agreement with China, are Rube Goldberg agreements at their finest.

What “new” policies could we expect from a Hillary presidency? According to her website, we should see the following:

- A \$12 minimum wage (Call it “Bernie Lite”);
- New “investment” in “infrastructure,” which is a euphemism for massive public works, an old socialist saw;
- Raise business and individual income taxes.

Like Obama, she claims she will create a huge “clean energy” economy with “good-paying jobs,” even though the current “clean energy” initiatives are *destroying* good-paying jobs by forcing the relatively-healthy sectors of the economy to subsidize the losers (such as wind power and ethanol). Destruction lurks at every turn with her environmental policies, with more government “goals” imposed upon Americans with no sense consequences. And why not? Clinton at worst will be inconvenienced by such policies; ordinary Americans will be driven into poverty.

In short, Hillary promises to raise taxes, increase the regulatory burdens on business, force up energy prices through environmental regulation, and force up the nation’s minimum wage by more than 50 percent. At the same time, she will encourage the Fed to continue on its own path of economic destruction by forcing down interest rates and underwriting the crony capitalism regime.

Donald Trump

Then there is The Donald. Unlike Sanders and Clinton, Trump has tapped into people who have seen their own communities devastated by deindustrialization and who have been left behind in the high-tech boom. Trump supporters don’t work for Apple and Google.

Regarding taxes, Trump does seem to have the best plans of the three remaining candidates. Carrying out such tax reform requires the consent of Congress, which tends to worship high tax rates. However, lowering both personal income tax rates *and* business taxes would be a good start toward removing some of the worst excesses of the Obama administration years.

Trump’s economic Waterloo, however, is trade. Trump always has prided himself on negotiating and deal making, yet unencumbered trade does not need the US Government cutting “deals” with other nations. It needs the government to get out of the way.

While Trump claims he only wants “fair trade,” nonetheless he is flirting with creating some world-wide trade



A vintage year for economic myths

disasters, and the last time this happened during the early 1930s, the results were catastrophic. Part of the problem is that Trump thinks like a Mercantilist, believing that a nation's survival depends upon the value of exports being greater than imports.

For example, he claims that the value of China's currency, the yuan, is "too low" relative to the US dollar, so he would declare China to be a "currency manipulator." As any Austrian economist will tell you, there is no such thing as an "optimal" exchange rate. Each rate has advantages and disadvantages, depending upon whose interests are at stake. Furthermore, given that the Fed truly is a currency manipulator, it seems hypocritical to accuse other nations of doing what the US Government already is doing.

Furthermore, there is something unseemly about running a political campaign against yet another Asian country. In the 1980s and 90s, American politicians blamed Japan and even South Korea for any economic

ills this country had. For more than a decade, the bogeyman has been China.

For all of the complaints about "slave labor" in other countries, the main reason that much of the manufacturing of consumer goods (and some capital goods) has moved abroad is because the political climate in the USA is extremely hostile to domestic investment. That politicians like Sanders are extremely popular is unnerving to potential investors, who are not interested in taking huge risks and then having the government confiscate the proceeds.

To his credit, Trump is the only person left in the race that actually understands this last point. One doubts that Sanders has a clue about capital formation, and Clinton is too craven to care.

Have fun in the voting booth. ■■■

William L. Anderson is professor of economics at Frostburg State University, and an Associated Scholar and former Fellow of the Mises Institute.

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JÖRG GUIDO HÜLSMANN

Charity Needs Markets



Although it is sometimes imagined that a world based on gift-giving rather than market exchange would be a world without scarcity or want, we are still left with the problem of manufacturing and producing complex goods that require markets to allocate resources.

Moreover, if we remember that the act of gift-giving requires *both* the giver and the recipient to agree to the exchange, we quickly find that the situation is more complex than we initially thought.

Both Donor and Receiver Must Agree

A gift is an unconditional transfer of an economic good from one person (the donor) to another person (the beneficiary). In the case of a service, the donor agrees to

provide the service to the beneficiary, and the latter accepts to receive it as a gift.

If it is truly a gift in the real sense, the good is freely given and the decision to abandon the good comes with no strings attached. For the donor, it is not the fulfillment of an obligation, and it cannot be claimed as a right by the beneficiary. In particular, it is not a remuneration for some economic good provided by the beneficiary to the donor. To be sure, in practice, there are lots of cases of “false gifts” in which a transfer of property rights has some of the characteristics of a true gift, but not all of them.

It is necessary that both sides agree to it. *If* both sides agree, then the beneficiary benefits, but the donor benefits too.

Jörg Guido Hülsmann is professor of economics at the University of Angers, and Senior Fellow of the Mises Institute.

This article is adapted from the Lou Church Memorial Lecture, “The Political Economy of Gratuitousness,” delivered at the Austrian Economics Research Conference on April 2, 2016.

This seems to be a matter of course as far as the beneficiary is concerned. After all, he receives an economic good without any payment, which is why he is called the beneficiary. However, it is important not to fall into what we might call the materialistic trap in interpreting the gift. The beneficiary benefits, not because someone else is willing to gratuitously provide an economic good to him. He benefits because *he prefers* to receive this good rather than to forego it. It is well known that gifts can be rejected, and that some gifts should be rejected. It is not because the Greeks offered their wooden horse on the beach to the Trojans that the latter were someone impelled or obliged to accept it. The Trojans took it because they believed to be better off owning the horse, erroneously as it turned out.

There is Value in the Act of Giving or Receiving a Gift

In other words, what makes a gift a gift is not its suitability for that and that use or enjoyment (its “use value”), not the fact that other people find it desirable (its “exchange value” or market price), but the fact that the prospective beneficiary finds it desirable and therefore agrees to receive it. He gratuitously receives the object proposed to be given to him, be it a service, or be it the property rights to a commodity. But what makes him truly a beneficiary, and what makes the object a gift, is the *personal value* of the gift. By agreeing to accept it, he demonstrates his preference to be provided with the gift, rather than to forgo it. He demonstrates that he thinks himself to be better off, thanks to the gift, than he would otherwise have been.

The donor benefits, too. If Smith gives a five-dollar bill to a beggar, then he thereby demonstrates that he, Smith, prefers that the beggar, rather than Smith himself, own the banknote. Now, this sounds as though Smith were somehow “interested” in making this gift, which in turn would insinuate that the gift is not really gratuitous because Smith himself stands to benefit from it. Well, in a wider sense Smith *is* interested, but that does not *per se* make his gift any less gratuitous.

Smith does benefit from the gift-making. This is why he agrees to make the gift. To non-economists this assertion might sound shocking, but it should not. There is no human action that does not employ some means to attain some higher-valued end. The reason why man acts is always the desire to improve the state of affairs,

that is, to bring about a state of affairs that he prefers to the state of affairs that would have existed without his action. There is no exception. But this does not imply a contradiction with the gratuitous nature of Smith’s act. He was not obliged to give the bill, and the beggar was not entitled. Therefore his act was gratuitous in the full sense of the word.

There is no human action that does not employ some means to attain some higher-valued end.

The Role of Market Prices in Gift-Giving

Let us move on to a final observation on the economics of gifts. Gifts can be *produced* through more or less lengthy processes and involving the cooperation of many people. In other words, the decision to make a gift is not necessarily made at a moment’s notice, as when we encounter a beggar at a street corner. Gifts can also be planned in advance. They can be prepared, not only in the sense that the gift-making decision be planned, but also in the sense that the economic good that is to be donated, is especially produced to be donated.

Is it imaginable that all production processes be geared toward gift-making? Each person would no longer sell his products, but give them away; and he would in turn benefit from the gifts made by other people. Could the entire economy be a pure gift economy of this sort? As we know from the analysis of communism, this could be attempted, but it would come at a heavy price. A pure gift economy would by definition be an economy without exchange, and thus without market prices. Yet market prices provide guidance to produce one type of good (yielding higher revenue) rather than another (yielding lower revenue); and they provide guidance *not* to use certain goods because they cost too much to buy.

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JÖRG GUIDO HÜLSMANN, CONTINUED

In a pure gift economy, this guidance would no longer exist. It would have to be replaced by a great sense of judgment and great discipline on the part of all members of society. Clearly, such qualities are exceedingly rare and, what is more, they would not be rewarded in a pure gift economy and would therefore not be cultivated in such a setting. It is out of the question to organize a comprehensive division of labor on the little judgment and on the little discipline that could be mounted by just a few virtuous people.

Producing Future Gifts Is Complex and Difficult

Moreover, even if these people were not few but many, a pure gift economy would still suffer from a formidable impediment. As Ludwig von Mises taught us, without exchange and market prices it would be impossible to organize the division of labor within lengthy and complex roundabout-production processes. Good

judgment might be sufficient to devise an overall plan for the satisfactory cooperation between a few shoemakers and butchers without the interposition of prices and exchange. But good judgment is at a complete loss to evaluate the relative (and often changing) importance of computer programs, drilling equipment, operations research, and other goods that are removed from our immediate experience.

A static economy serving few people with very short supply chains might be organized as a gift economy, if the producers are inspired by brotherly love and mutual trust. As soon as any one of these conditions is absent, as soon as love and trust are lacking; as soon the economy involves thousands, millions, and billions of people; as soon as supply chains grow long and complex; as soon as technological and other conditions change fast and frequently, a pure gift economy is out of the question. The productivity of labor in such an economy would be exceedingly small as compared to what we know it to be in a developed market economy. ■■■



THE MISES INSTITUTE HOSTS "Why Rothbard Matters"

IN FEBRUARY, THE MISES

Institute and Associated Scholar Robert Murphy hosted a "Why Rothbard Matters" Saturday-night reception at the International Students for Liberty Conference (ISFLC) in Washington, DC.

More than 500 students attended Murphy's presentation, including students from Asia, Europe, Latin America, and Africa. The talk commemorated Rothbard's 90th birthday (celebrated on March 2) and emphasized Rothbard's skill as a writer, which has set him apart from many other economists and theorists.

The ISFLC reported approximately 1,700 attendees to the conference overall, and the substantial interest in the Mises Institute's reception wasn't the only indicator of Rothbard's influence. Other organizations were handing out short essays by Rothbard, plus buttons that read "I ♥ Rothbard."



HILLARY CLINTON'S EASY CHOICES

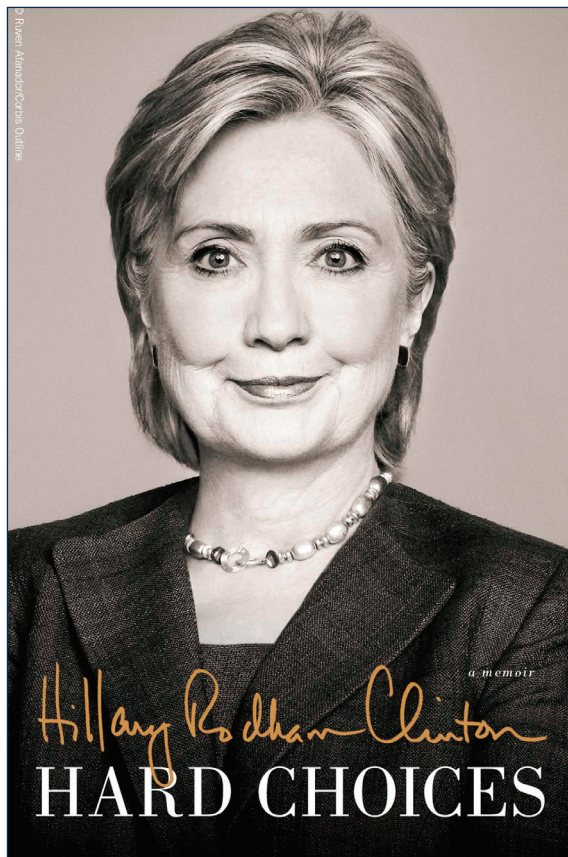
DAVID GORDON REVIEWS

Hard Choices

Hillary Rodham Clinton

Simon & Schuster, 2014

xiv + 535 pages



Few books have as misleading a title as *Hard Choices*. For Hillary Clinton, as this tedious memoir of her years as Secretary of State makes evident, there are no hard choices. The solutions to all political and economic problems are easy. We must always rely on the directing hand of government, guided by the superior wisdom of our moral and intellectual betters, Hillary Clinton foremost among them.

In her main discussion of economic policy, she says something that will surprise those familiar with her record. She contrasts China with America: “China had become the leading exponent of an economic model called ‘state capitalism,’ in which state-owned or state-supported companies used public money to dominate markets and advance strategic interests. ... These principles ran directly counter to the values and principles we had worked to embed in the global economy. We believed an open, free, transparent, and fair system with clear rules of the road would benefit everyone.”

Have we been unjust to Mrs. Clinton? Is she in fact a supporter of the free market? No, she is not, despite her criticism of China’s resort to state-control. The giveaway is her phrase “fair system with clear rules of the road.” Among the things she means by this is that foreign countries must enact similar labor legislation to that prevalent in America. On no accounts must foreign countries try to undercut America by offering employers the chance to hire cheaper labor: “Lowering barriers to access for American companies was a big part of our efforts. So was raising standards in foreign markets on key issues like labor rights, [and] environmental protection. ... Companies in the United States already met these standards, but those of many other countries didn’t. We needed to level the playing field and improve a lot of lives around the world along the way. For too long we’d seen companies closing factories and leaving the United States because they could do business more cheaply in foreign countries where they didn’t have to pay workers a living wage or abide by U.S. rules on pollution. Using diplomacy and trade negotiations to raise standards abroad could help change that calculus.”

Thus, far from supporting the free market, she wants the government to pressure other nations to adopt restrictive policies. In doing so, she illustrates a key point that Ludwig von Mises often

emphasized. Government intervention in the free market fails to achieve its ostensible purpose and often leads to further intervention to correct the untoward results of the initial interference. Here costly environmental and labor legislation, supposedly aimed at helping American workers, puts many of them out of work by making firms unable to compete with foreign companies. To remedy this, she wishes to burden foreign firms as well: this restores a “level playing field.” It never occurs to her that the policies she favors will destroy the jobs of impoverished foreign workers. To grasp this would require of her a few minutes of thought, and she doesn’t have the time.

Instead, she conjures up a fantasy world not governed by economic law. “In many countries around the world, unions are still suppressed. ... This is bad for them and it’s bad for American workers too, because it creates unfair competition that drives down wages for everyone. Contrary to what some governments and employers might think, research shows that respecting workers’ rights leads to positive economic outcomes, including higher levels of foreign direct investment.” In sum, increase labor costs and then employment and investment will rise. Such is Clintonian economics.

Can we at least give her credit for favoring free trade? No, we cannot. True enough, she opposes foreign restrictions of American investments and sales abroad, but this for her is subsumed under a broader strategy of governmental “guidance” of American business. She does not say, “Let’s end tariffs and other restrictions so firms can trade as they wish.” Instead, she endeavors to guide American business in directions that she favors. “I made export promotion a personal mission. During my travels I often made a pitch for an American business or product, like GE in Algeria. ... We got creative with initiatives like Direct Line, which allowed our Ambassadors to host phone calls or videos chats with American businesses eager to break into foreign markets.” It is ironic that she criticizes China for its “state capitalism,” when she fails completely to grasp the difference between genuine free enterprise and government-business “partnership.”

When we turn to “climate change,” the same pattern of thought recurs. In exact opposition to her book’s title, there are no hard choices; and, as always, salvation lies in the state. She says, “The problems of global warming are evident, despite the deniers. There was a mountain of

overwhelming scientific data about the damaging effects of carbon dioxide, methane, and other greenhouse gases ... a serious, comprehensive response to climate change remains stymied by entrenched political opposition at home ... the old false choice between promoting the economy and protecting the environment surfaces again.”

Prominent scientists like Richard Lindzen and Fred Singer would dissent from her assessment of the scientific

In exact opposition to her book’s title, there are no hard choices; and, as always, salvation lies in the state.

evidence about global warming; but let us put the controversy to one side, and consider the matter using the understanding that she favors of the scientific data. Measures to reduce greenhouse gases impose severe costs on business. Must not these costs be weighed against the supposed benefits of the measures she favors? She makes no attempt to do so: rather for her there is no need at all for choice between economic growth and regulating the environment.

At one point, though, reality is so insistent that she cannot ignore it. If the environmental regulations for America that she wants were imposed, the goal she seeks could not be achieved. “Even if the United States somehow reduced our emissions all the way to zero tomorrow, total global levels still would be nowhere near what they need to be if China, India, and others failed to contain their own emission.”

Once more, the failure of intervention begets proposals for more intervention. Environmental regulation must be extended worldwide: “The United States was pushing for what we considered a realistic achievable

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DAVID GORDON, CONTINUED outcome: a diplomatic agreement agreed to by leaders ... which would commit every major nation, developed and developing alike, to take substantive steps to curb carbon emissions and report transparently on their progress.”

Clinton’s plans to control the world extend far beyond environmental regulation. She has an ideological “human rights” agenda that she demands other nations accept. To the objection that importuning and threatening other nations arouses resentment and thus threatens American security, she has an answer that should by now be familiar: “Throughout the history of American foreign policy, there has been a running debate between so-called realists and idealists. The former, it is argued, place national security ahead of human rights, while the latter do the opposite. These are categories I find overly simplistic. Over the long term, repression undermines stability and creates new threats, while democracy and respect for human rights create strong and stable societies.”

Once more there is no need for choice: interference with other nations does not threaten our security but promotes it. Have we not heard this before? “The world must be made safe for democracy.” In pursuit of this

ambitious goal, she pressures other nations that enact measures she deems inappropriate. If the “regime of Vladimir Putin in Russia has enacted a series of anti-gay laws, prohibiting the adoption of Russian children by gay couples,” why is it the business of the United States to endeavor to change this? Clinton’s attempts to impose on other nations her ideological views are, in Edmund Burke’s phrase, an “armed doctrine.”

Clinton has a high opinion of the effect of her inflated rhetoric about rights. “The ripples created by the speech [about LGBT rights] were bouncing around the globe and back, and my phone was soon crowded with messages. A huge number of people had watched the speech online.” Her image of herself as one of the world’s moral teachers, correcting the less enlightened, brings to mind a familiar passage from the Bible: “The Pharisee stood and prayed thus with himself: God, I thank thee that I am not as other men are.” (Luke 18:11). ■■■

David Gordon is Senior Fellow at the Mises Institute, and editor of *The Mises Review*.

Events

June 5 – 10 — Rothbard Graduate Seminar; Mises Institute

July 24 – 30 — Mises University; Mises Institute

September 16–17 — Supporters Summit, Asheville, North Carolina

October 1 — The Mises Circle in Boston, Massachusetts

November 5 — The Mises Circle in Dallas/Ft. Worth, Texas

March 10–11, 2017 — The Austrian Economics Research Conference; Mises Institute

Student scholarships available for all events. See mises.org/events for details.

AUSTRIAN ECONOMICS AND STARTING A BUSINESS

A CONVERSATION WITH **NATHAN BOND**



Nathan Bond, 30, is an entrepreneur and the cofounder of Rifle Paper Co., based in Winter Park, Florida.

Founded in 2009, the company has since expanded worldwide. We recently spoke with Bond about his support for the Mises Institute and how Austrian economics has impacted the way he does business.

THE AUSTRIAN: How did you first discover the Mises Institute?

NATHAN BOND: I believe it was sometime around 2008 following the housing bubble. I was in my early 20s at the time and trying to make sense of the situation, and the Mises Institute as well as fellow travelers in Austrian economic circles seemed to be the only ones who had any truly developed (or at least convincing) work on why booms and busts even happen. From there, I was immediately taken in by how engaging the material was and refreshed to discover an economic methodology that puts the emphasis on human behavior and the choices of individuals rather than a bunch of aggregates.

TA: Why did you decide that the Mises Institute was something you wanted to support?

NB: Primarily because I was dismayed that the Austrian school generally isn't even presented as an alternative to the Keynesian or Chicago schools in your typical econ course (let alone the media). I am amazed at how many econ majors I run into that haven't even heard of Austrian business cycle theory for instance. Whether you agree with the

NATHAN BOND, CONTINUED Austrian school or not, part of the role of education, in my opinion, is to at least present the different viewpoints and the Mises Institute plays an important role not only keeping the Austrian tradition alive but continuing to advance the discipline as an alternative to the mainstream view.

TA: As you know, the field of business is something very different from the field of economics. Can business owners learn something from economics that they can't learn from studying business?

NB: I believe so, yes. I would say, one of the things that having a basic knowledge of economics has helped me with as an entrepreneur is to assist in understanding what my role truly is in the overall context of the global economy. This helps clarify decisions and gives me confidence to act with conviction in the best interest of my customers, employees, and company. I talk to a lot of entrepreneurs that feel conflicted about basic business decisions that I honestly think are just due to misconceptions about trade, development, and what role business plays in society. For instance, I think the concept of "social entrepreneurship," which is very popular with my peers, is a great example. The implication, to some extent, is that "regular" business is not "social" or does not add value to society. This framework can lead to questionable decision making on the part of the small business startup who feels an unreasonable expectation from the outset. I do want to clarify that I have no problem with the concept of "social entrepreneurship." My only concern would be as far as it implies that "traditional businesses" aren't providing a valuable social function.

TA: Is there something about *Austrian* economics that is of particular value?

NB: Having an interest in the Austrian school certainly encourages one to be more cautious when making long-term capital decisions. This could work against the entrepreneur or investor as well, however, so I'm hesitant to say this is necessarily a good thing.

I will say, one truly beneficial aspect of Austrian insight that comes to mind is that it greatly encourages respect for the employee/employer relationship. The Austrian school is unique in how it humanizes

economic relationships and helps one understand that an employee is an entrepreneur who is selling their goods (in this case their labor) to an employer. Mainstream economics almost belittles the employee's role in the relationship, but the Austrian school views it more intentionally as a strategic partnership. Having this in mind has helped me understand the motivations of the people around me and given me a deeper respect for all the parties at play.

TA: How has the business cycle affected your experience as an entrepreneur?

NB: We actually started Rifle in 2009 so it was just after the housing bubble blew up. It was an interesting time for our industry but we were largely unaware at the time of what had just happened. Trade show attendance was markedly down from the previous years and a lot of companies had decided to either call it quits or write off a massive amount of receivables due to the number of their customers (largely retailers) declaring bankruptcy or just disappearing. We were fortunate to be starting in that climate, as it would have been difficult to have the rug pulled out from under us right after gaining some momentum. It also put us in the mindset to remain careful in our growth strategy to be able to withstand a sudden downturn when it inevitably occurs again. This hasn't been put to the test as of yet, however, so I can't say how successful that strategy has been.



TA: Has Austrian economics helped you better understand how the government's response (i.e., stimulus, taxation, regulation) to economic busts has impacted you and your business?

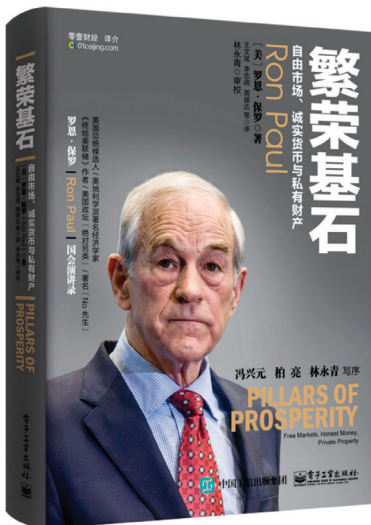
NB: Absolutely, and perhaps in a counterintuitive fashion. I think a lot of people would assume someone like myself would use this as an opportunity to complain about taxes, but the reality is, while taxes definitely

hinder the ability for a company like ours to invest back into our business and our people, much of the system actually benefits us and hurts those lower on the economic ladder. There is no doubt in my mind that QE, for instance, has propped up the economy and artificially benefited us, at least temporarily. Keynesians might see this as a good thing, but Ludwig von Mises's great master-builder analogy reminds us that the act of propping up just brings more pain later. ■■■

New Translations

FROM AROUND THE WORLD

Oyunchimeg Bayarsaikhan, a Mongolian scholar, has announced plans to launch a Mongolian-language version of mises.org. Ms. Bayarsaikhan writes: "We are already actively working on translations, and have completed materials for Rothbard's *Anatomy of the State*. We also plan to translate Robert Murphy's *Lessons for the Young Economist*, and hope to have them posted later this year."



Thanks to Wenbin Wang, Ron Paul's book *Pillars of Prosperity* has been translated into Chinese. It is now available online.

Nicola Iannello and Lorenzo Infantino have prepared a new Italian translation of *Human Action* based on the 1996 third edition. The new translation is considered to be an improvement over a previous Italian translation from 1959.

Thanks to Tatsuya Iwakura, who has translated numerous books by Austrian economists into Japanese, *The Austrian Theory of the Trade Cycle and Other Essays*, edited by Richard Ebeling, is now available as a Kindle book in Japanese. The full English version is available at mises.org.

Jesús Huerta de Soto's masterful work *Money, Bank Credit, and Economic Cycles* has now been translated into Japanese thanks to Dr. Kenya Kura.

Institut Coppet in France has recently made available a French translation of Murray Rothbard's *Education: Free and Compulsory*. The French version is available for purchase online, and the full English version is available for free at mises.org. Institut Coppet has completed other translations as well, including Rothbard's article "Nations by Consent" and Lew Rockwell's "Open Borders: A Libertarian Reappraisal."

Numerous translators have also been hard at work translating numerous short articles. Scholars at both Instituto Mises Hispano and Mises Institut Deutschland have been translating numerous articles each month into Spanish and German, respectively.



Scholar and Alumni News

Recent news from our supporters, alumni, and scholars



JÖRG GUIDO
HÜLSMANN

Senior Fellow **JÖRG GUIDO HÜLSMANN** in February was invited to Grove City College where he delivered a new lecture titled “Migrations: Economic Boon or Social Bane?” Also in February, Hülsmann delivered three lectures at the Ludwig von Mises Seminar of the German Mises Institute. The seminar was held at Kronberg, near Frankfurt. Other speakers at the event included **HANS-HERMANN HOPPE**, **PHILIPP BAGUS**, and **THORSTEN POLLEIT**.



PASCAL SALIN

Senior Fellow **PASCAL SALIN** published *Competition, Coordination and Diversity: From the Firm to Economic Integration*, available from Edward Elgar Press; *Frédéric Bastiat, Père de la science économique moderne*, now available from Institut Charles Coquelin; and he was awarded the Premio internazionale Alla’ Liberta,” in Lucca, Italy, on June 27, 2015.



JO ANN
CAVALLO

Mises University Alumnus **WILLEM CORNAX** writes: “The Austrian Economics Meeting – Europe (AEME) has grown out of Mises University and our aim is to explicitly recreate the atmosphere and joy we all experienced in Auburn in a European setting, while at the same time keeping it scientific. The idea is to emulate a combination of the Mises Institute’s Mises University and the Austrian Economics Research Conference. This year, we’ll hold the 2nd AEME which will take place in Prague on April 21–22. The first AEME was in 2015 in Vienna.”

Associated Scholar **BUTLER SHAFFER**, Professor Emeritus at Southwestern University School of Law, recently participated in the Third International Seminar Escuela Austriaca, in Bogotá, Colombia. He also spoke at the Universidad del Magdalena, in Santa Marta, Colombia, on the topic “Private Property As a Social System;” presented two papers at the Universidad Nacional in Bogotá: “Private Property As a System of Peace, Liberty, and Social Order,” and “The Size Theory of Social Misery.” And, along with Senior Fellow **JÖRG GUIDO HÜLSMANN**, spoke on two panels at the Andean Parliament in Bogotá.



MATEUSZ
MACHAJ

ROBERT MULLIGAN, a longtime Associated Scholar of the Mises Institute, will join Indiana University East this summer as the new Dean of the School of Business and Economics, beginning July 1, 2016.

Associated Scholar **JO ANN CAVALLO** published “Marco Polo on the Mongol State: Taxation, Predation, and Monopolization,” in the journal *Libertarian Papers*.



PER BYLUND

Associated Scholar and former Mises Fellow **MATEUSZ MACHAJ** has published a new paper, “Can the Taylor Rule be a Good Guidance for Policy? The Case of the 2001–2008 Real Estate Bubble,” in the journal *Prague Economic Papers*.



AUDREY
REDFORD

Routledge recently published Associated Scholar and former Mises Fellow **PER BYLUND**’s new book *The Problem of Production: A New Theory of the Firm*. Bylund proposes a new theory, rooted in Austrian economics, which examines the firm as a part of the market, and not as a free-standing entity. In this integrated view, a theory is offered which incorporates entrepreneurship, production, market process, and economic development.

Former Fellow **AUDREY REDFORD** has accepted a new position as Assistant Professor in the School of Economics, Management, and Project Management at Western Carolina University.

SCHOLARS AND STUDENTS GATHER FOR THE 2016 AUSTRIAN ECONOMICS RESEARCH CONFERENCE

The Austrian Economics Research Conference convened again in March at the Mises Institute's campus in Auburn.

The AERC is the Institute's academic conference where faculty, graduate students, and professionals meet to present new research, refine ideas, and work toward publishing new articles and books in the fields of economics, history, philosophy, and other fields.



For three days, attendees met to debate and analyze the work of colleagues, and to assist each other with improving their work in progress. Topics included money, banking, health care, globalization, and business cycles.



More than 130 scholars and students attended from 10 countries and 28 states, representing 58 colleges and universities.

Thanks to the generosity of Mises Institute Members, 39 students attended on scholarship.

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Save the Date

**Mises Institute Supporters Summit
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Details at mises.org/events

***Join Ron Paul, Judge Andrew P. Napolitano,
and Lew Rockwell.***

