

Mises as Mentor

An Interview With George Reisman



A black and white photograph of two men in tuxedos. The man on the left is pointing at a document held by the man on the right. Both men are looking down at the document with serious expressions. The background is a patterned wall.

AUSTRIAN ECONOMICS NEWSLETTER

Fall 2001 — Volume 21, Number 3

Front cover: Fritz Machlup and Ludwig von Mises.

THE AUSTRIAN ECONOMICS NEWSLETTER

Fall 2001 — Volume 21, Number 3

Copyright © 2001 by the Ludwig von Mises Institute
518 West Magnolia Avenue, Auburn, Alabama 36832-4528
phone (334) 321-2100; fax (334) 321-2119
email info@mises.org; web site www.mises.org

The Austrian Economics Newsletter is published quarterly by the Ludwig von Mises Institute.

MISES AS MENTOR



GEORGE REISMAN

George Reisman received his Ph.D. in 1963 under the direction of Ludwig von Mises, and he currently teaches economics at Pepperdine University.

He is the author of *The Government Against the Economy* (1979), *Capitalism: A Treatise on Economics* (1996), and many monographs on economic topics, and is the translator of Mises's *Epistemological Problems of Economics* (1976).

As president of the Jefferson School, he writes frequently for the popular press on energy economics, environmentalism, and antitrust, and has published several articles in the *Quarterly Journal of Austrian Economics*.

The AEN interviewed Dr. Reisman while he was on the Mises Campus for Mises University 2001.

AEN: How did you first come to find out that Mises was teaching in New York?

REISMAN: My economic opinions were pretty well formed by the time I entered graduate school. My introduction to economics came when I was eleven years old, way back in 1948. I saw a short documentary in a movie theater. It pointed out that the U.S. had 6 percent of the world's population but produced 40 percent of the world's wealth. I was impressed.

Meanwhile, I was reading some good newspapers: *The Journal American* carried Westbrook Pegler and George Sokolsky, who both provided a dissenting voice. I was developing political opinions, but I was also increasingly aware that I was in the minority.

AEN: So you weren't getting this in school?

REISMAN: I was in seventh grade at Joan of Arc Junior High, and my teacher told us that he regretted that he did not live in the district represented by Vito Marcantonio, who was practically a communist. I recognized that I was being fed the left-liberal line. I once made the point about American productivity that I had seen in that film. He came back at me and said, yes, but 10 percent of the population owns 90 percent of the wealth!

All my classmates were leftists. Our straw polls showed overwhelming support for Democrats. At first I figured it was just the people that surrounded me, or maybe it was New York. But then I went to summer camp in Maine and was surrounded by people from all over, and they all held leftist views. After that, I figured that practically everyone was leftist.

I recall being struck by a biography of Julius Caesar, written in the nineteenth century, that I read that summer at camp. The author made a remark about how much Caesar's government

interfered with the lives of Roman citizens. But in this country, the author went on, people realize that no matter what the government can do *for* them, it can do twice as much *to* them. That remark reinforced my sense that there was a pro-freedom tradition somewhere. I just had to find it.

AEN: But at the age of eleven you encountered difficulties in finding literature that seemed to back your intuitions.

REISMAN: Yes, but I kept looking. At the age of thirteen I found

READING SOCIALISM WAS THE SINGLE MOST ENLIGHTENING EXPERIENCE I HAD UP TO THAT POINT. IT IS A MASTERFUL BOOK.

Joseph Schumpeter's *Capitalism, Socialism, and Democracy*. He has a statement in there that socialism looks superior on paper but it doesn't work out in practice. I was astounded. If you say "on paper," that means as far as we can know and understand. I knew that couldn't be true. I also checked out Carl Snyder's *Capitalism the Creator*.

That appeared to be just a statistical analysis. I was looking for logical argumentation.

I used my birthday money to buy Adam Smith's *The Wealth of Nations*, which was widely promoted as a defense of capitalism. But it didn't live up to expectations. I was extremely disappointed. From the Marxism I was picking up around me, and the preface by socialist Max Lerner, it seemed to me that Smith, with his theory of value, was just preparing the ground for Marx.

In the fall of 1950, I entered Stuyvesant High School. George Sokolsky had a Sunday night radio broadcast. In one of these broadcasts, he mentioned a magazine called *The Freeman*. I bought it, and in that issue was Mises's article, "Lord Keynes and Say's Law." That was my first exposure to Mises's writing. I could see for the first time that here was someone who was arguing, very authoritatively, in defense of capitalism.

AEN: Who was next on your reading list?

REISMAN: I picked up a history of economic thought that described David Ricardo as a "harsh advocate of laissez-faire." I thought: "Well, I will certainly have to give him a try!" But again, I was disappointed and became bogged down in the opening chapter on value, which seemed to me to be pre-Marxian again. His chapter on land rent was pretty good, and there were some interesting arguments. But it wasn't enough.

I learned that Jeremy Bentham had written a defense of usury, so I

wanted to read that because it sounded right up my alley. But it turned out to be too expensive to purchase. But I did get Jevons's *State in Relation to Labor*, which is a good book. It had many good criticisms of labor unions. It put me in a position to answer my teachers. I then started his *Theory of Political Economy* and got my first exposure to marginal utility and thus the answer to the labor theory of value.

Then I went back to Mises, and tried to tackle his book *Socialism*. This was in 1951, and it was a brand-new edition. But it was just a bit beyond me at that point. But a year later, I bought the book and I was able to read it. It fascinated me. I recall reading on the sly during shop class, keeping it in my drawer and sneaking a look when I could. Reading that book was the single most enlightening experience I had up to that point. I became aware of one thing after another. It is a masterful book.

AEN: You were still reading *The Freeman* in those days?

REISMAN: Yes, and Henry Hazlitt wrote much of their editorial matter. So long as he was one of the editors, the quality was outstanding. I read it from cover to cover. Unfortunately, he had some dispute and left in 1953, and the quality never recovered.

By the spring of 1952, I had transferred to the Bronx High School of Science, and we used to have mock political debates. I was speaking on behalf of Robert Taft, before the convention, imputing positions to him that we could only wish that he



had actually held. A little character in a tasseled hat came up to me. I was used to constant hostility and harassment, so I greeted him with: “What’s on your small mind?” Well, I was amazed when it turned out that he was for Taft, too! He also turned out to be the young Ralph Raico.*

Ralph and I made quite a team. We used to set up a table on the street near the New York Public Library. We would invite crowds of people to debate with us about politics. He used to joke that one of us could take the place of the other in the middle of a sentence. That was a good experience, and a lot of fun.

AEN: You still hadn’t met Mises.

REISMAN: No, but he was living in New York. When I was fifteen, Ralph and I decided we would try to meet him. We devised a plan. We would pose as solicitors trying to

sell subscriptions to *The Freeman*. We hoped that would engage him and we could talk.

So we walked up to his apartment and rang the doorbell. Mises answered the door. He was preparing to go out to dinner in a tuxedo. He was standing there in his trousers, dress shirt, and suspenders. We announced that we were selling subscriptions to *The Freeman*. He said: “I have *The Freeman*.” Then he closed the door! Of course, we felt terrible. Mises must have thought that the publication had young kids going around the city bothering people to subscribe.

AEN: So you had to figure out some other way to meet him.

REISMAN: Yes, and some months later, we decided to do things the right way. We went to the Foundation for Economic Education, and Ivan Bierly agreed to arrange a meeting. The day was February 23, 1953. I recall that date because he

[Mises] wrote it in my copy of *Human Action*. We had a long conversation with him, and he invited the two of us to his seminar, on the condition that we didn’t make noise.

AEN: Did he recognize you from the previous encounter?

REISMAN: Thankfully not.

AEN: You two must have been the youngest members of the Mises Seminar.

REISMAN: Yes, but there were others who were young by any standard. Murray Rothbard had just turned twenty-six in the Ph.D.

MISES INVITED RALPH RAICO AND ME TO HIS SEMINAR, ON THE CONDITION THAT WE DIDN’T MAKE NOISE.

program at Columbia. Ralph, Murray, and I would go out after the seminar. I recall that once I entered Columbia, I had to skip a few sessions because of my classwork. Murray called me on the phone to ask where I was, and encouraged me to come back. I attended through 1960.

The seminar was attended by professionals and businessmen of various sorts, plus New York University

*Both Reisman and Raico lectured at Mises University 2001.—Ed.

students, and our group, which we called the Circle Bastiat. Along with me and Murray and Ralph, there were Robert Hessen and Leonard Liggi, among others.

As for Mises himself, he was a great gentleman, unbelievably learned and erudite. I recall at the Gallatin House, I would come in a little early, and he would come down from the third floor. I would sit several feet away from him. I was

**MISES WAS
A GREAT
GENTLEMAN,
UNBELIEVABLY
LEARNED AND
ERUDITE.
I WAS IN THE
PRESENCE OF
ONE OF THE
GREATEST
MINDS OF
ALL TIME.**

very conscious that I was in the presence of one of the greatest minds of all time.

AEN: Did it strike you at the time that he wasn't being treated well?

REISMAN: We all knew it was an outrage that he didn't have a bigger academic position. But it was

obvious why. He was the greatest defender of capitalism in a time of rampant anticapitalism. Still, the injustice of it all is striking.

Sometimes, Mises became very pessimistic. I recall a conversation we had in 1960 when I told him I thought we were increasing in number. But he put it down to my just having gotten to know the others in the movement. He wasn't ready to believe that we really were growing. I recall, too, the time that he made some comment that his writings were like the Dead Sea Scrolls that someone would find a thousand years from now.

I just wasn't conscious of his own personal pain and suffering at that time. I recall that I had a discussion with him once at a bus stop. I commented on how much I liked *Planning for Freedom*. He said that it probably needed to be updated, but that most people seemed to be more interested in what Lenin had to say. Despite these bouts of sadness, he overcame them. For me, he was the model teacher and person.

AEN: When *Theory and History* (1957) was being written, did he discuss the book in his seminar?

REISMAN: The seminar in those days was mostly devoted to epistemology, but he usually didn't promote his own work. He would mention in passing that he was working on a new book, but that was about it. He would typically come in and lecture for about thirty minutes and open it up for questions and discussion. The classes began at 7:25 P.M. and ended at 9:10 P.M. This was standard format at New York University.

ADDITIONAL RESOURCES:

BOOKS AND BOOK CHAPTERS:

Capitalism: A Treatise on Economics (Ottawa, Ill.: Jameson Books, [1996] 1998).

"Classical Economics Versus The Exploitation Theory," in *The Political Economy of Freedom, Essays in Honor of F.A. Hayek*, Kurt R. Leube and Albert H. Zlabinger, eds. (Munich and Vienna: Philosophia Verlag, 1984), pp. 207–25.

"Education and the Racist Road to Barbarism," in *Do the Right Thing: A Philosophical Dialogue on the Moral and Social Issues of Our Time*, F.J. Beckwith, ed. (New York: Jones and Bartlett, 1996), pp. 413–19.

The Government Against the Economy (Ottawa, Ill.: Caroline House Publishers, 1979).

"The Toxicity of Environmentalism," in *Rational Readings on Environmental Concerns*, Jay H. Lehr, ed. (New York: Van Nostrand Reinhold, 1992), pp. 819–41.

JOURNAL ARTICLES:

Comment: "Reisman on Capitalism," *Quarterly Journal of Austrian Economics* 1, no. 3 (Fall 1998): 47–55.

"The Goal of Monetary Reform," *Quarterly Journal of Austrian Economics* 3, no. 3 (Fall 2000): 3–19.

"The Value of Final Products Counts Only Itself: Today's Gross Product Is Net Product," *American Journal of Economics and Sociology* (forthcoming, 2002).

AEN: Your master's thesis was called "The Classical Economists and the Austrians on Value and Costs."

REISMAN: Yes, I submitted it in the spring of 1959. I wrote it as a response to the time I spent at Columbia. After having read Mises, I felt I was able to answer all my Marxist high-school teachers. But I wasn't as well prepared to deal with my college instructors. That's really what this was about.

Now, my original plan was to go straight through to get my Ph.D. I did all my classwork in one year and two summers. I took twenty credits per semester. I had sixty units of graduate work under my belt by the fall of 1958. Then I got bogged down a bit, in particular by a split with Murray. That episode resulted in much personal pain for me, and for Murray too.

My original idea was to write my dissertation on imputation. Somewhere along the line, I decided that I should pick some topic that would require me to read only good authors and deal with the material at length. I wanted to read the classical economists again, including Smith and Ricardo and the others, in addition to Menger and most of Böhm-Bawerk.

This was when I began to rethink the classical economists. Having read them all, I felt like I had learned a great deal, but I wasn't prepared to say what at this point. It was like being intellectually pregnant.

AEN: And this was the beginning of your work on profit.

REISMAN: Yes, because in July of 1959, I was suddenly able to answer a whole series of questions that had accumulated. What triggered everything was Hazlitt's book, *The Failure of the "New Economics."* In it he had a long quotation from John Stuart Mill on why the demand for commodities is not the demand for labor. It was then that I began to put everything together.

In the background here is a long-standing dispute I had with Murray about whether the rate of profit and interest had to fall as accumulated capital grew. I was very uncomfortable with the idea, which I likened to the sun burning out. I was wondering what would be necessary in order to have capital accumulation without the rate of profit having to fall. I was able to construct a set of assumptions and a "model," and changed my dissertation topic from imputation to what became "The Theory of Originary Interest."

AEN: How involved was Mises in the process?

REISMAN: He wasn't that involved. I wrote the whole dissertation and presented it in full. It was 640 pages. On my committee were Mises, Joseph Keiper, William Peterson, and Harvey Segal. Segal flatly rejected it. I was stunned. I had had delusions that after it came out, I would be elected president of the American Economic Association. Instead, it looked for a time like I wouldn't get my Ph.D.

One of the reasons that Segal gave was that I was quoting Böhm-Bawerk in German when it was available in English. Now I knew it was

in English, but I didn't particularly like the translation. To revise the dissertation to his satisfaction, I added thirty pages at the beginning and thirty pages at the end, and cut a large part of the rest. I made only one terminological change: I changed "originary interest" to "profit." Segal then came back and said it was fine—except for the first thirty pages, and that he hadn't read the last thirty pages. Even today, I have the original manuscript in a fireproof safe.

**I WAS
SUDDENLY
ABLE TO
ANSWER A
WHOLE SERIES
OF QUESTIONS
THAT HAD
ACCUMULATED.**

AEN: How did Mises respond to this episode?

REISMAN: Mises knew what was going on, and he was cautioning me to leave Segal a line of retreat. I recall there was one time when Mises was trying to console me, and he said that soon I might become the editor of a new journal and wouldn't have to put up with this. For his part, Mises regarded Segal as something of a Marxist. It was a difficult time, and for years I

was consumed with bitterness toward Segal. Murray, too, was treated very badly by Arthur Burns, who later became head of the Fed under Nixon.

I know that Mises must have had some disagreements with my theory, but a few years later I gave a lecture called “A Ricardian’s Critique of the Exploitation Theory,” and Mises was very enthusiastic about it. Another spinoff from the dissertation was an article I wrote called “Production versus Consumption.” It was a modernized version of classical ideas. I sent it to Henry Hazlitt. He was extremely enthusiastic about it, and anxious for it to be published in *The Freeman*. Mises liked it, too, which I

MISES LIKED MY ARTICLE IN *THE FREEMAN*, TOO, WHICH I TOOK TO BE APPROVAL OF MY GENERAL THESIS.

took to be approval of my general thesis.

AEN: How did you come to know Ayn Rand?

REISMAN: I met her through Murray. After Mises’s seminar, we



The Circle Bastiat, August 1955.
From left: Ralph Raico, Murray Rothbard, George Reisman, Robert Hessen, and Leonard Liggio.

would often go back to Murray’s apartment. At one of these occasions, he was telling us about his meetings with Rand. She sounded very interesting, but at the same time forbidding. We were all interested in meeting her. Murray was reluctant to arrange anything because he somehow dreaded it.

Finally, we met her one Saturday night in July of 1954. It was a long, combative evening. Murray, Ralph Raico, Leonard Liggio, and Ronald Hamowy were there. We discussed the theory of moral value, among other topics. I was the one doing most of the arguing. Murray was finding this all very amusing because he had been through the exact situation some time earlier. We were there until 5:00 A.M.

AEN: When did you go back?

REISMAN: She invited us all back for round two the following week. I found it very distasteful. I found

her position on value theory to be very naive. But I was also becoming aware that I couldn’t overcome her. She was constantly backing me into corners where I didn’t want to go. So I was profoundly impressed. But some hostilities developed, and I didn’t see her again until after the publication of her novel *Atlas Shrugged*. Meanwhile, others started attending meetings with Leonard Peikoff when he first started lecturing on Objectivism. This must have been 1955–1957.

Robert Hessen was working at a bookstore at the time, and he was in a position to order copies of *Atlas* in advance. We had about ten copies weeks before it hit the bookstores. I don’t think I did anything else for three or four days but read *Atlas*. It was far and away the most exciting book of fiction that I had ever read. Murray and I were talking about it constantly. Mises was also impressed with it. It was a very exciting time, and the idea that a

procapitalist book had a chance for popular success made us all brim with optimism.

AEN: When did you begin to write your own treatise, *Capitalism*?

REISMAN: Some of the material is from my dissertation, and from my first book, *The Government Against the Economy*. I started consciously working on it in 1980. I wrote an extensive outline, and starting writing the book in spring 1981. There was constant interaction between my writing, my teaching, and my Jefferson School lectures that I would give at conferences. These conferences were on Objectivism, and I would give the economics lectures. I always made it my business to write out all the lectures, and in doing that I was effectively writing the book. I finally had a finished draft in 1990. Editing and rewriting was a tremendous amount of work.

AEN: Given the many lifetime influences on your thought, where do you see yourself in the Austrian tradition?

REISMAN: I am a part of that tradition, but I also see the merit in trying to integrate that tradition with some ideas found in the classical tradition as well. For example, there's some important work in Böhm-Bawerk that represents steps toward that. He was certainly the foremost developer of Austrian price theory, but he didn't accept one tenet that has come to define the popular Austrian orthodoxy.

He clearly states that there are many cases in which the direct determinant of prices is the cost of

production, just as the classical economists said. But if you then ask what determines the cost, then we go back to marginal utility. It is not true that in every case, the price of the product determines the prices of the factors of production.

AEN: Where does Böhm-Bawerk explain this most fully?

REISMAN: Both in *Capital and Interest* and in his "Value, Cost, and Marginal Utility," which I'm currently translating. I hope to present a paper at the next Austrian Scholars Conference on this topic. I will be applying Mises's distinction between esoteric and exoteric versions of doctrines, which are sometimes at odds. I think that is true with regard to the Austrian view of cost. The typical version that goes around—that the value of the product is always determined by supply and demand and never directly by cost—is really that of Jevons, not Böhm-Bawerk, and not Wieser.

AEN: Can you give an example?

REISMAN: If you open up the hood of an automobile, you see a number of individual parts that disable the entire car if they are broken. There's a fan belt, a carburetor, a starter, among many other items. There's no way that you can derive the value of those items from the value of the car, because you would have to attribute the entire value of the car over and over again.

When you go to the car-parts store to buy another fan belt, you only pay a tiny fraction of the utility that you derive from it. You pay \$20, but it restores the entire value of a

\$20,000 car. In this case, the value of the car is not imputed back to a part that makes it run. You are only paying a price based on the cost of production of the belt. What determines the cost of production is the value of alternative marginal products elsewhere in the economy.

AEN: In *Capitalism*, you say that the determination of price by cost

I SEE THE MERIT IN TRYING TO INTEGRATE THE AUSTRIAN TRADITION WITH SOME IDEAS FOUND IN THE CLASSICAL TRADITION.

is just an instance of the law of marginal utility.

REISMAN: It is. Marginal utility determines the value of the things that constitute the cost, and then the cost determines the value of the supra-marginal products. It brings it down to reflect the value of the marginal product. Again and again in the market economy, you don't have to pay a price that comes up to your direct marginal utility. You pay a price that corresponds to the much lower marginal utility of

other products produced by the same means of production. As my very lengthy quotation from Böhm-Bawerk in *Capitalism* (pp. 414–16) shows, cost is what communicates to the narrow individual market the state of supply and demand and marginal utility in the broader, factor markets.

AEN: Do you have a revisionist view of Böhm-Bawerk's inconsistency concerning interest?

I WAS INSPIRED IN IMPORTANT WAYS BY MISES'S VIEW ON ORIGINARY INTEREST.

REISMAN: In this case, there really is a contradiction in Böhm-Bawerk. After establishing that time preference is the explanation of interest, he comes back to the very productivity theory that he had already refuted. He actually abandons time preference in a footnote.

At first he refers to the higher subjective value of present goods. But then he says that for people who have abundant wealth and are providing for the future, the marginal satisfaction they attach to provision for the future exceeds the marginal satisfaction they attach to additional provision for the present.

This amounts to a repudiation of the time-preference theory.

AEN: Do you regard time preference as the sole determinant of interest?

REISMAN: It is indirectly the most important determinant of the rate of interest. But not in a direct fashion. The usual view is that we start with the value of consumers' goods, and then we apply a rate of discount to the value of these goods to arrive at the value of the factors of production.

I don't think that is the way it happens. Time preference is responsible for causing the demand for products to be greater than the demand for the means of production. It causes more money to be spent buying products than in buying means of production. That establishes the higher price of products compared with the costs of producing them. I call this the net-consumption theory.

I was inspired in important ways by Mises's view on originary interest. There's a passage in *Human Action* in which he poses this problem. Suppose people expect the end of the world, as they did in A.D. 1000. They had no future, so all would consume in the present without limit. In those circumstances, Mises says, the rate of originary interest would rise beyond all measure.

I agree with that, but also with a slightly different formulation. Suppose that people stopped buying factors of production because they hoarded all their savings, and the only spending was the buying of consumers' goods. Since there

CALENDAR

AUSTRIAN SCHOLARS
CONFERENCE 8
March 15–16, 2002

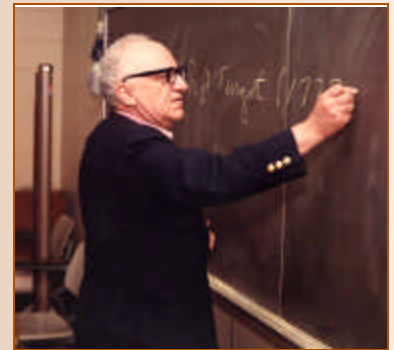
HISTORY OF LIBERTY
May 26–31, 2002

HUMAN ACTION SEMINAR
June 2–8, 2002

ROTHBARD GRADUATE SEMINAR:
THE ETHICS OF LIBERTY
July 28–August 2, 2002

MISES UNIVERSITY
August 4–10, 2002

MISES INSTITUTE
20TH ANNIVERSARY,
SCHLARBAUM PRIZE, AND
"THE NEW DISSIDENTS"
CONFERENCE
October 18–19, 2002



For more information,
contact the Mises Institute
518 West Magnolia Avenue
Auburn, Alabama 36832-4528
Phone 334-321-2100
Fax 734-448-8148
Email pat@mises.org
Web site www.mises.org

would be no expenditures for factors of production to produce the consumers' goods, their money cost would be zero. The entire sales proceeds would be profit, and the rate of profit would be infinite. This demolishes the Keynesian "liquidity trap," which posits infinite cash hoarding alongside a minimal or zero rate of return.

The same thing would be true in a society in which there were no capitalists. Without capitalists, everything is profit; nothing is wages. Hayek is right to say that it is the capitalists who enable people to live as wage earners.

AEN: In your view, then, the classical view, rightly understood, can be used against the Marxian view.

REISMAN: Yes, and I do think it is a tragedy that the Austrians have so readily dismissed the classicals on grounds that they lead straight to Marx. It can be made quite the opposite. When Mill's proposition that demand for commodities is not demand for labor, that it is the capitalists who make the demand for labor—when this is kept in mind, then Ricardo's proposition that profits rise as wages fall, implies that if there were no capitalists, there would be no wages. We would be back to the early and rude stage of society and contrary to Smith and Marx, it would mean zero wages and all profits.

On the other hand, the more and bigger the capitalists are, the higher are wages and the lower are profits. All this is implicit in Ricardo and Mill when key ideas of the two are put together.

AEN: Does your view of the business cycle differ from Mises's?

REISMAN: Not in any fundamental way. But I would say that to have a depression, it is not enough just to have made mistakes because that would imply a contradiction of Say's Law. Imbalances in the economy are not enough to create a general depression. Malinvestment has to be shown to be the cause of a general rise in the demand for money. More importantly, however, I agree that without credit expansion, there can be no business cycle.

AEN: Is an Austrian-style cycle possible without a central bank?

REISMAN: If you had commercial banks expanding credit, then yes. Whether or not they could, or to what extent they could, is subject to debate. I think we can say that under free banking without a central bank, there would be some check on credit expansion. The only thing that would keep the business cycle completely at bay is 100-percent reserves, under a gold standard.

AEN: Do you see your views on 100-percent reserves as compatible with Mises's own?

REISMAN: He is explicitly sympathetic to this position in *Human Action*. He employs that quotation from Cernuschi, in which he is advocating free banking so that nobody will take banknotes. It would be wonderful if it would work that way. But I'm dubious. In *Human Action* he has a statement that could be taken as implying that it would be all right to impose 100-percent reserves. I agree with Murray that anything else is fraudulent,

though I'm a little reluctant to impose it. It would actually be a very simple thing to manage all this through contract. We just need to be clear about what is a loan and what is a checking deposit.

To establish a 100-percent reserve gold standard overnight is a difficult proposition. We could redefine the dollar in terms of gold, as Rothbard suggests. But if we had

**I THINK IT IS A
TRAGEDY THAT
THE AUSTRIANS
HAVE SO READILY
DISMISSED THE
CLASSICALS
ON GROUNDS
THAT THEY
LEAD STRAIGHT
TO MARX.**

free competition between gold and paper money, I am confident that we would be taking a sizeable step in the right direction.

There are other lesser steps that can be taken. We should remove all impediments to the ownership of gold, and that includes sales taxes. There should be no reporting or identification. We need to have complete legalization of gold contracts, and the courts must enforce them. We should eliminate all taxes on gains that result from the rise in the price of gold. All these steps

might help bring about a parallel pricing system. This would be most effective under inflation. The rise in prices would take place entirely in paper.

AEN: That wealth and freedom are linked is a theme that dominates your writings.

REISMAN: The link is not accidental, because to acquire wealth requires the protection of property rights. The same way, it is not accidental that socialism is totalitarian. You might imagine that a socialist

SOCIALISTS USED TO MASQUERADE AS DEFENDERS OF SCIENCE AND REASON. NOW THEY ARE OPENLY ANTI- SCIENCE AND TECHNOLOGY.

is democratically elected. But if he wants to establish socialism, the first thing he has to do is steal all the property in the country. On the way, he will meet resistance, because otherwise, people will be totally wiped out. Then he must make a choice. Because anyone seriously bent on establishing socialism must proceed as an armed robber prepared to commit murder. In other words, it takes the communists to establish

socialism. A social democrat won't have the stomach for it.

AEN: On environmentalism, you seem to go way beyond your teacher.

REISMAN: Mises has some relevant discussions. For example, he speaks about monopoly pricing of very scarce resources acting as a means of conservation. But mostly, this political ideology we call environmentalism began in the mid-1960s. I remember that I was in San Francisco in 1967, reading a column by Eric Severeid. He predicted that environmentalism would be a leading political movement in the next decade. I recall thinking: that's preposterous. It seemed so ridiculous, I couldn't understand how anyone could take it seriously.

The whole movement seemed to grow out of Lady Bird Johnson's objections to billboards on interstate highways. It began as a kind of silly political program to get rid of junkyards because they were unsightly. I recall that Al Capp had a solution to the problem of junkyards. He wanted Andy Warhol to put his signature on them and call them works of art. That was about the level of answer the whole thing deserved.

AEN: But in time, the movement would grow.

REISMAN: It is so large that it is impossible to get away from. A student told me that as a child he was exposed to all sorts of cartoons featuring children who fight dirty capitalists who own sludge factories. These kids are being indoctrinated,

not only by cartoons but in school and in the culture at large.

What's at issue here is a philosophical problem. The movement is fundamentally antihuman. That is what motivates it. This is a more widely occurring phenomenon than you might suppose. We know of serial killers, but every once in a while similar mentalities gain political power, as happened with the communists and the Nazis. There is a lot of hatred and hostility in many people that is just looking for something to attach itself to.

AEN: An attack on human life by another means.

REISMAN: That is essentially what environmentalism amounts to. It is the political movement where the destructive impulse has parked itself today. First you have the hatred, then you have a cultural vehicle, such as a totalitarian political movement or an insane religion, that allows and encourages the hatred to be expressed.

Intellectually, environmentalism is nothing more than the death rattle of socialism and should be much easier to overcome. Socialists used to masquerade as defenders of science and reason, and now they are openly anti-science and technology, as we see with environmentalism.

AEN: Also, they don't promise to better our lot.

REISMAN: It's true that the communists always claimed that if they had control, they would improve the material lot of mankind. The environmentalists don't offer that; quite the opposite, they say that mankind



is too well off. They claim they want collectivist control in order to avoid what they claim will be immense catastrophe.

But their idea of success is thwarting human success. In their view, the environment is only destroyed by human beings. The caribou eat the vegetation, and that's okay. The wolves kill the caribou, and that's okay. Microbes are killing them both, and that's okay. The only thing that's not okay is if human beings attempt to do anything. Only then does the environment need protection, in their view. We can conclude from this that it is only human beings they are really after.

AEN: What about the economic arguments?

REISMAN: We can distinguish between two types of natural resources: what nature provides and the fraction of what nature provides that man has become able to make useable and accessible. The whole physical world and universe consists of nothing but natural resources—

matter, in all of its elemental forms, and energy, in all of its forms—provided by nature. The useable, accessible fraction of those resources can be progressively enlarged.

Menger speaks to this issue. He shows that we must create the goods-character of any resource. If we do not, it is not a good and has no value. The more knowledge and physical power we exercise over nature, the larger becomes the supply of useable, accessible natural resources.

Our use of nature's resources—of the chemical elements and energy provided by nature—does not reduce their overall physical quantity. It merely improves their relationship to our well-being. It thereby improves the external material conditions of our lives, which means: it improves our environment.

Despite all the propaganda, the market has led to vast improvements in such things as air quality. The fact that I'm sitting in an air-conditioned room in August in Alabama and not sweating is quite a testimonial

to the improvement in air quality. So is central heating in winter time, and modern ventilation systems in kitchens and bathrooms. So is the automobile, which has eliminated the stench of horse manure and horse urine in the streets. So is the iron and steel industry, which made possible the low-cost pipe that enabled the streets to stop serving as sewers.

AEN: What other problems are they responsible for?

REISMAN: The waste involved in the forcible imposition of environmental regulations is incalculable.

**THE MORE
KNOWLEDGE AND
PHYSICAL POWER
WE EXERCISE
OVER NATURE,
THE LARGER
THE SUPPLY OF
USEABLE,
ACCESSIBLE
NATURAL
RESOURCES.**

But there are other problems besides these. Consider OPEC, for example, which stands accused of supporting terrorism. If we didn't have restrictions on oil production there would be some significant increase in the supply of oil. To keep the price high, OPEC would

have to reduce its production by that amount.

If we didn't have restrictions on strip mining and nuclear power, those are substitutes and they would further drive down the price by a reduction in the demand for oil. The environmentalists have brought about a greater demand and smaller supply of oil. This means that they have done OPEC's job for it, by making oil scarcer and more expensive without OPEC even having to do anything.

WE HAVE TO BE EVER VIGILANT AGAINST THOSE WHO ABUSE OUR LANGUAGE TO ADVANCE POLICIES THAT ONLY EXPAND GOVERNMENT CONTROL.

The same thing is true with price controls on oil. When you have a cartel that controls half the industry, when they raise the price, the price control prevents its competitors from getting the benefit of the higher price. Instead, all the profits flow to OPEC and not its competitors, who are prevented from expanding.

AEN: You have written extensively on the California energy shortage.

REISMAN: It is entirely artificial. In a market economy, it doesn't matter how restricted the supply is, it does not cause a shortage if the price is allowed to be high enough. There are few things as scarce as diamonds and gold, but there is no shortage of them. If we oppose shortages in energy we need higher retail prices. In California, we had a bizarre situation in which the wholesale price could rise but the retail price was prohibited from rising. Thus, there was no restraint on the quantity demanded.

This is what is called deregulation in California. It's hard to believe they can get away with this. We have to be ever vigilant against those who abuse our language to advance policies that only expand government control. Along these lines, I recall that a California group promoting educational vouchers wanted me to join their campaign as an adviser, but I wouldn't do it. It seemed to me that this would just end up expanding the government's reach into private schools.

AEN: One of the slogans used by this movement is "equality of opportunity."

REISMAN: There is no way to have equality of opportunity, unless everyone had the same genetic inheritance and was brought up under the same conditions. Even then, you wouldn't have it because there is no equality in the will of people to use their inherent endowment in their own interests. In reality, people create their own opportunities. I have no opportunity to

become the next CEO of General Motors, but those who do have the opportunity are those who have worked their way up to a high level of management.

What we need is the freedom of opportunity, which allows everyone to take advantage of whatever opportunities are open at the moment. A minimum-wage law is a good example of something that restricts the freedom of opportunity. In a free society, our fates are not determined. I was influenced in this by a book I read as a child called *Lives of Poor Boys Who Became Famous* (Sarah K. Bolton [New York: Thomas Y. Cromwell, 1885]). It was a great inspiration.

AEN: What advice do you have for students?

REISMAN: Read Mises and Böhm-Bawerk and also read the classical economists. An awful lot began with Carl Menger, but not everything. Men from the eighteenth and nineteenth centuries rode around in carriages and some wore powdered wigs, but they were thinking the thoughts that created modern industrial civilization. Today's intellectuals fly around in jet planes, but they are thinking the thoughts that will destroy us.

If you look back on the history of science, if you were alive in the fifteenth or sixteenth century, it was a struggle to establish the propositions of natural science. We see the conclusions and results, but we don't see that process. For good economics to prevail requires that individuals recognize the truth for themselves and fight to uphold it. **AEN**

About the *Austrian Economics Newsletter*

The *Austrian Economics Newsletter* was first published in the fall of 1977, under the auspices of the Center for Libertarian Studies, which was then located in New York City. The writers and editors were part of a small but growing contingent of graduate students in economics who had been influenced by Ludwig von Mises's New York seminar and the writings and personal example of Mises's students Murray N. Rothbard and Israel M. Kirzner, as well as Ludwig Lachmann. Their goal was to reinvigorate Austrian theory in a new generation as a means of combating mainstream trends in economic thought.

But for the Nobel Prize given to F.A. Hayek in 1974, academia then considered Austrian economics a closed chapter in the history of thought, supplanted by Keynesianism and the neoclassical synthesis. The purpose of the *AEN* was to provide a forum for Austrian students and serve as a communications tool for the new movement. Among its most effective offerings was the interview, which provided students an inside look into the thinking, drawn out in an informal setting, of the best Austrian theorists.

At the request of the Center for Libertarian Studies, the Mises Institute assumed responsibility for the publication in 1984 and nurtured it to become the most closely read periodical in the world pertaining exclusively to the Austrian School. Two years later, Murray N. Rothbard founded the *Review of Austrian Economics* (later succeeded by the *Quarterly Journal of Austrian Economics*) to provide an outlet for scholarly articles, thereby relieving the *AEN* of this responsibility. The *AEN* began to emphasize reviews, topical pieces, and, most of all, the extended interview as an effective means of highlighting the newest contributions of Austrians to the literature. Today, interview subjects are now chosen from a variety of disciplines to reflect the full influence of the Austrian tradition.

Over the years, the *AEN* has interviewed a variety of scholars, including the following:

Dominick T. Armentano	Israel M. Kirzner
Walter Block	Peter G. Klein
James Buchanan	Ludwig M. Lachmann
Paul Cantor	Fritz Machlup
Thomas J. DiLorenzo	Roberta Modugno
Gene Epstein	Hiroyuki Okon
Roger W. Garrison	Michael Prowse
James Grant	Murray N. Rothbard
Bettina Bien Greaves	Joseph T. Salerno
Gottfried von Haberler	G.L.S. Shackle
Henry Hazlitt	Karl Socher
Jeffrey M. Herbener	Leland B. Yeager
Randall G. Holcombe	Pascal Salin
Hans-Hermann Hoppe	Frank Shostak
Jesús Huerta de Soto	Mark Thornton
George Koether	Richard K. Vedder

Complete archives of these interviews are available at <http://www.mises.org/journals.asp>.

With the expansion and redesign of the *AEN* that begins with Volume 21, the *AEN* seeks to put on display the energy, creativity, and productivity of today's Austrian thinkers, who work in many fields to bring the insights of the tradition to bear on new issues of the day. It is a sign of the health and vigor of the Austrian movement that the list of thinkers slated for interview in the future grows ever longer.

LUDWIG VON MISES INSTITUTE
518 West Magnolia Avenue
Auburn, Alabama 36832-4528
Phone 334-321-2100
Fax 334-321-2119
Email info@mises.org
Web site www.mises.org