

# Misesean for Life

*An Interview With Hans F. Sennholz*



# AUSTRIAN ECONOMICS NEWSLETTER

*Spring 2002 — Volume 22, Number 1*

*Front cover: Ludwig von Mises and Alberto Benegas Lynch, Sr.  
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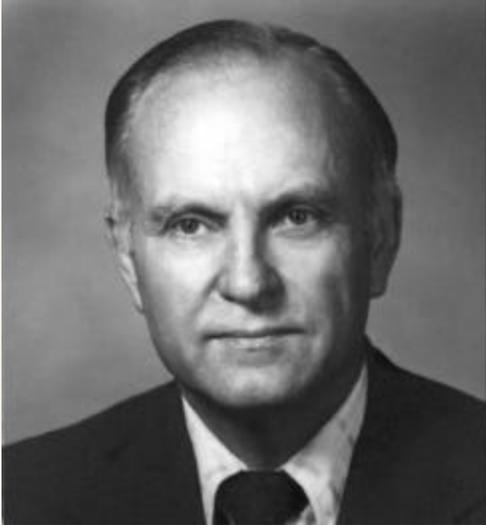
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# MISESIAN FOR LIFE



## HANS F. SENNHOLZ

Born in Brombauer, Westphalia, Germany, in 1922, Hans F. Sennholz received degrees from the University of Marburg (1948) and Cologne (Ph.D. 1949) before coming to the United States and receiving a Ph.D. in economics in 1955 from New York University, where he studied under Ludwig von Mises.

He was professor of economics and chairman of Grove City College's economics department from 1956 until retiring in 1992, and then served for five years as president of the Foundation for Economic Education. He has received numerous awards and holds two honorary doctoral degrees.

He is the author of many books, in English and German, and of more than 500 articles on economics, and he has translated several Austrian classics. He serves as an adjunct scholar of the Mises Institute.

His website is [www.sennholz.com](http://www.sennholz.com); his email: [hans@sennholz.com](mailto:hans@sennholz.com).

**AEN:** A strength of your writing is how you apply Austrian theory to financial crises, whether in interwar Germany or Japan today.

**SENNHOLZ:** As a matter of fact, I am working on a piece about the Japanese recession. It has persisted for some ten years, which is quite incredible. It is erroneous to assert that recessions are caused by insufficient aggregate demand or whatever other explanation may be offered. Only the Austrian trade cycle theory explains the phenomenon and provides important advice.

As Professor Mises explained, the business cycle begins with the boom phase, when monetary authorities expand fiduciary credit and lower interest rates. This distorts the pattern of economic production. At first, it generates overinvestment in capital goods and causes their prices to rise, while the production of consumers goods is necessarily neglected. But the investment boom is bound to come to an end because of lack of real savings. When profit margins falter, the capital goods industry sinks into recession. This is the period of readjustment when malinvestments are liquidated.

**AEN:** In Japan, then, the story begins with the 1980s boom.

**SENNHOLZ:** True. Under the watchful eyes of the government, the Bank of Japan lowered its interest rates and expanded credit. When the bubble burst in 1990, policymakers faced the choice of allowing the recession to take its own course or attempting to reflate the system. They chose to prop up the system.

The Japanese blundered tragically, following Keynesian recipes throughout the 1990s, enacting one stimulus package after another, running up public debt, and refusing to let a readjustment run its course.

The absence of price inflation in Japan is due to what many economists call “declining money velocity”—that is, people hold on to their money. Savings have been rising, but spending has not. It increases the demand for money and keeps goods prices lower. Meanwhile, government spends

## CREDIT EXPANSION AND INFLATION ARE THIEVERY. THEY TAKE PROPERTY FROM MILLIONS OF UNSUSPECTING INDIVIDUALS AND ENRICH POLITICIANS.

the savings of the people by funding public works projects and running up deficits.

**AEN:** During the U.S. recession, economists have recommended the same.

**SENNHOLZ:** Yes, many economists are acclaiming the praises of government spending. Since Keynes, they have unquestioningly accepted that public works promote employment, impart stability, and raise national income. According to

this view, government takes on a magical connotation and color. It is no longer legislators, regulators, and tax collectors but a source of grace and goodness, virtue and welfare. In a sense, it is regarded as God on earth.

We achieve greater clarity simply by changing the terms we use. We may speak of tax collectors, policemen, judges, and jailers instead of government. People are always asking government to do things, but they would not want tax collectors, policemen, judges, and jailers to have more power over their lives and property. Using more precise language helps us refute the notions and theories that government is responsible for our economic well-being.

Credit expansion and inflation are thievery. They take property from millions of unsuspecting individuals and enrich politicians. They do not lead to economic recovery. The inevitable consequences are rising prices and economic dislocations. But when they become visible, government officials refuse to accept responsibility; instead, they pose as fighters of the problems they created.

**AEN:** And the problems persist.

**SENNHOLZ:** Of course. Fiduciary credit expansion—that is, unbacked credit creation—does not provide an answer. Japan is a good example. It reveals the failure of Keynesian economics. What Japan needs is a period of honest readjustment with many financial institutions facing the consequences of their mistakes. The Bank of Japan must be barred from expanding or

contracting its stock of money. The volume of its credit must be frozen on the day of reform. This undoubtedly would prompt a financial crisis and reveal the full magnitude of the malinvestment.

In the past, this would have led to a deep depression. But in the vast global capital market, it need not come to that. Japanese financial institutions have ready access to world capital markets, which are ever ready to serve and support reforms. To be sure, this solution would be denounced by many economists and commentators. Yet, it is the right path, the only viable solution.

**AEN:** So there’s no need for ten or so years of depression?

**SENNHOLZ:** Not at all. As a matter of fact, the United States suffered a depression from 1920 to 1921, but it recovered in just twelve months. Of course, this occurred long before Keynesian economics, deficit spending, or other policies designed to counteract depression. This was the last depression when genuine market adjustments were allowed.

Today, the United States is fighting the present recession with new spending and interest rate cuts. Fortunately, a real adjustment is taking place despite all such policies. We see the highfliers failing nearly every day.

While federal policies create new maladjustments, corporate losses signal the recession and force the readjustment. Both forces work their way at the same time. We’ll see which will prevail in the end.



boom phase with easy money and credit, a readjustment cannot be avoided.

**AEN:** Why did the boom hit the high-tech industry so heavily in the U.S.?

**SENNHOLZ:** The money just followed investments that seemed most exciting at the time. It was a bubble of enthusiasm supported by easy money. There were promoters, bankers, and speculators with wild expectations of future profits that could not be supported over the long run. The Fed played an important role, but we should not overlook the place of bank lending and even the policies of nonbanks that were just taking too many risks. These

## IN ARGENTINA, THE GOVERNMENT DESTROYED THE CURRENCY SYSTEM BY CONSUMING THE DOLLAR RESERVES.

**AEN:** What about the Argentina case?

**SENNHOLZ:** I have a special interest in Argentina because some two dozen former students of mine live there. Some are professors; one is a congressman. They studied with me at Grove City College. I spoke in Argentina twice, once as a commencement speaker and once as a public speaker on the floor of the Buenos Aires stock exchange. I am sure that my former students there constitute a tiny intellectual minority in an ocean of collectivism; I am sure they are saddened by the decline of their country.

In Argentina, the government obviously destroyed the currency system. Although it had a stable currency for a short while, the government sabotaged it by running large deficits that consumed the dollar reserves. It led to stagnation and unemployment.

The banking system accepted dollar deposits and extended loans based on them. But the dollars that were supposed to back the peso were spent and the deposits blocked by the government. Ever unable to balance its budgets, the government turned to printing pesos, which soon fell some 50 percent in the open market. Government policies are going from bad to worse.

**AEN:** In August of 2000, writing for the Mises Institute website, you said that large readjustments were needed in stocks, and you also saw that vulnerability of U.S. corporations holding billions and trillions in derivatives.

**SENNHOLZ:** Just looking at the fundamentals, it was clear that the bubble could not last. A readjustment was unavoidable. The Fed is always convinced that it has the power to prevent a painful recession. But having generated the

institutions were expanding credit beyond that which the market could support in reality. All it took was a small shift in market conditions, and the boom unraveled.

As for Greenspan's response, he did exactly what you might expect. Every Fed chairman since 1924 has tried to prevent recession by lowering interest rates. After the stock market crash of 1929 and through the Great Depression, the Fed lowered its rates eight times. During the recession of 1973 to 1975, it lowered rates six times. It lowered rates in 1945, 1953, 1970, and 1990, and yet the

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economy continued to slump. The same can be said about the interest-rate reductions of 2001 and 2002. Interest-rate reductions never work. If we pull out of the recession and move back to economic growth, it will be because of adjustments that have taken

place despite the Fed's attempts to forestall them.

**AEN:** Given the bust, it is remarkable how strong the dollar has remained on international markets.

**SENNHOLZ:** It is very important to remember that the dollar is now the world's reserve currency, playing the role that gold once played. This is why we have not seen double-digit inflation. Also, the Fed has generally been more responsible than it was in the 1970s. It took ten years after the gold standard ended, but the dollar finally took on this dominant international role.

Or course, it is not a sound currency, but it is the world currency. This is made possible because the U.S. is the number one economy, even in recession. This means that American monetary policy has a huge effect on world economic conditions. At the same time, in China, Latin America, and Japan, everyone is hoarding American dollars. This heightened demand keeps prices in check.

**AEN:** Is this a permanent condition?

**SENNHOLZ:** There is a natural tendency for the world economy to gravitate toward one currency, but there is the possibility that the euro will begin to compete for that role. For now, the euro has gone nowhere but down since its inception. Governments are at work seizing underground money in the form of national currencies. This is causing a flight out of

## ADDITIONAL RESOURCES:

### BOOKS BY SENNHOLZ (IN ENGLISH):

*How Can Europe Survive* (New York: D. Van Nostrand, 1955).

*Death and Taxes* (Washington, D.C.: The Heritage Foundation, 1976; Cedar Falls, Iowa: Center for Futures Education, 1982).

*Age of Inflation* (Belmont, Mass.: Western Islands, [1977] 1979).

*The Underground Economy* (Auburn, Ala.: Ludwig von Mises Institute, 1984).

*Money and Freedom* (Spring Mills, Penn.: Libertarian Press, 1985).

*The Politics of Unemployment* (Spring Mills, Penn.: Libertarian Press, 1987).

*Debts and Deficits* (Spring Mills, Penn.: Libertarian Press, 1987).

*The Savings and Loan Bailout* (Spring Mills, Penn.: The Libertarian Press, 1989).

*Reflection and Remembrance* (Irvington-on-Hudson, N.Y.: Foundation for Economic Education, 1997).

### ON SENNHOLZ'S INTELLECTUAL LEGACY:

John W. Robbins and Mark Spangler, eds., *A Man of Principle: Essays in Honor of Hans F. Sennholz* (Grove City, Penn.: Grove City College Press, 1992).

francs and deutsche marks and is generally depressing the euro.

Many black-market holdouts face the choice of either confessing, repenting, and paying income taxes with interest and penalty, or braving the border guards and customs officials on the way to Switzerland. If caught in the possession of their untaxed savings, they are stripped of the amount of taxes owed plus 6-percent interest and a fine of 50 percent, which usually amounts to total confiscation. Government officials like to call it “the justice of the new euro”; for economists, it is just another costly disruption of the market order. These policies have seriously harmed the transition to the euro.

**AEN:** You have written that the euro has some benefits over national currencies.

**SENNHOLZ:** Yes, it does. The costs associated with currency exchange are reduced, and it is easier to compare prices and costs across national borders. There are many benefits to this. The problem is that the currency is a fiat currency and a political creation. Unlike the gold standard, it is not a market phenomenon. All high expectations for the euro have to be considered in light of that fact.

**AEN:** What elements would make up an ideal monetary reform?

**SENNHOLZ:** The goal should be to deny the government all prerogatives in monetary matters. The government should have no special rights and privileges in the marketplace for money. Legal-

tender laws must be rescinded. They dictate what legal money shall be, but in a market economy, there is no need for government to specify the kinds of money in which contracts may be written or for government in any way to limit the freedom of contract.

Along with that, both central banking and the compulsory monopoly of the mint should be abolished. Central banking serves as a crutch to commercial banks. It enables them to expand credit to the limit of their reserves, and then it provides new excess reserves in ever larger quantities. As for the mint, its monopolization was the first step toward government control over money, so its removal is essential for the restoration of monetary freedom.

**AEN:** What are your opinions on the globalization controversy in general?

**SENNHOLZ:** There is no question that global trade volume has increased dramatically, by 6 percent per annum for many years, and that it now exceeds \$5 trillion per year. Foreign exchange transactions exceed \$1.5 trillion per day. The reason for this burgeoning market is liberalization generally and the reduction in trade barriers specifically. This has been a wonderful trend for all of humanity. But there are still those who denounce it and malign anyone involved. Mass protests against free trade are popular all over the world.

Many of these protestors are irrelevant or obviously self-serving. But I don't think we can dismiss them

completely. They must be countered with facts. The global corporation needs intellectual defenders now more than ever. We need to explain that international corporations pay higher wages than other employment options in the developing world. Economic globalization is serving human needs better than governments or international agencies are.

## THE MONOPOLIZATION OF THE MINT WAS THE FIRST STEP TOWARD GOVERNMENT CONTROL OVER MONEY, SO ITS REMOVAL IS ESSENTIAL.

Protestors like to target the IMF and the World Bank for doing all sorts of terrible things, such as forcing politicians in the Third World to live within their means. Actually, these people don't understand that the evil of the IMF is completely different. The IMF is not a tool of capital but rather of governments. It permits corrupt governments that would otherwise be bankrupt to continue operating. The problem isn't that these agencies are stingy, as the protestors

claim, but that they are profligate with other people's money.

Domestic trade doesn't need an IMF, and neither does international trade. What works within a country also works in relations with other countries. Free trade and economic liberalization should be the standard by which we judge all questions of globalization. If the antiglobalists get their way, they will effect the very



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opposite of what they claim to desire.

**AEN:** How many students do you suppose you have taught Austrian economics to over the years?

**SENNHOLZ:** Over a period of thirty-six years of teaching at Grove City, I would estimate perhaps 10,000 students. I always had

large classes of 100 to 150. Most students came from an interventionistic environment. Very few came to me because they knew what I would teach. So, you take them as they are and slowly lead them to the light of freedom. I was always careful to illustrate economic theory with continuing examples from the real world.

At Grove City, I always preferred teaching freshmen. Their minds are open and ready for new knowledge. They are eager to learn. The seniors would upset me, because I had taught them before but it would frustrate me because they would forget so much.

**AEN:** You have been extremely popular on the lecture circuit as well.

**SENNHOLZ:** Yes, I gave more than one hundred public lectures to college assemblies and service clubs. I would fly my own plane, a Grumman Tiger, from coast to coast for these engagements. I have been a licensed pilot since I was 16.

**AEN:** As a classroom professor, what textbooks did you use?

**SENNHOLZ:** I used Menger's *Principles of Economics* for many years. The text is simple and clear. Sometimes, other professors would ask why I was using a one hundred-year-old book for first-year economics. I would always say that economics is like philosophy; it has no age. We are dealing with principles of action and logic, and those do not change.

In addition to Menger, I would also use books and essays by Mises. Of course I used Hazlitt's *Economics in One Lesson*. I would sometimes use *Human Action* but would frequently skip the first section on epistemology because the students weren't ready for it.

**AEN:** When did you study under Mises?

**SENNHOLZ:** Formally, from 1950 to 1955, when I received my Ph.D. I was the first Mises Ph.D. and am the oldest surviving Mises

student in the United States. There may be some survivors in Austria; I don't know.

I came to the U.S. in 1949. I had already earned a Ph.D. in Germany, but I was looking for a university to continue studies here. I looked at Columbia and others, but then I discovered that Mises was teaching at New York University. I knew exactly what I would do. I was familiar with Mises from my studies in Germany. In particular, I had studied *The Theory of Money and Credit*, but I did not know the full scope of Misesian economics until *Human Action* came out and my classes began.

**AEN:** What initially drew you to Mises's work?

**SENNHOLZ:** Before Mises, I was reading Wilhelm Röpke. He used to write columns in newspapers. He showed the way to the light, but he only went 90 percent of the way. From Röpke to Mises was a small step.

**AEN:** You translated Mises's *Notes and Recollections*.

**SENNHOLZ:** Yes. After Mises's death, Mrs. Mises came to me and asked me to translate that manuscript. He had written it soon after coming to the United States and had specified that it not be released until after his death. Mostly, these were professional and philosophical memoirs, but the book also shows the great pain he felt from the tragic events in Austria. It was something I could understand but never experienced myself.

When Mises came to the United States, he was practically unknown to American economists. It is a sorry fact that few American economists can actually read a foreign language. Mises's *Theory of Money and Credit* remained untranslated until 1934. By that time, it was too late to prevent the economic disaster of the depression. In the enthusiastic reception that was given to the Keynesian revolution, Mises's explanation was simply ignored.

As the language barrier isolated the Anglo-American world from foreign thought, so the Austrians found themselves isolated from the world through their philosophical and methodological individualism. Their uncompromising rejection of statism, positivism, and scientism set them apart from the economic fraternity.

Through twenty-four years of teaching in the United States, Mises served as unsalaried visiting professor. Further, he was surrounded by colleagues who found his spirit of classical liberalism alien and irksome. Mises is an example of the truth that a great man cannot be held down by exile, nor change of environment, nor language barrier, nor any other handicap.

**AEN:** How well did you know Mises?

**SENNHOLZ:** We always had friendly relations when we traveled together on lecture tours, and in fact, I came to look at him as something of a father figure. His wife, Margit, later became the godmother of our son. She was always mindful of birthdays and the like.

In 1955 and 1956, my wife and I produced the Mises Festschrift, *On Freedom and Free Enterprise*. It was presented to him on February 20, 1956, on the fiftieth anniversary of his doctorate. I also helped bring about Mises's first honorary doctorate, granted by Grove City College. Of course, we both were members of the Mont Pelerin Society. I was one of the first members of the second generation which did not belong to the founding set.

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In later years, when Mises was ninety or ninety-one years old, I was invited to the Foundation for Economic Education to give a lecture. Mises was going to be there, so I was very anxious. I studied and prepared for weeks. A few minutes after I began to speak, however,

Mises dozed off. I was so relieved! I was able to speak without any fear!

Mises kept going after his hearing failed. I have just passed my eightieth birthday, so Mises's example inspires me. Great men among us retire only when death calls them. Age does not depend upon years,

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but upon attitude and health. The drive to continue to produce is an important part of longevity. Mises certainly had that.

**AEN:** It is a much bigger movement today than in those days.

**SENNHOLZ:** There was a time when there were very few who took the libertarian position. Today, there are many thousands. The young people today don't know

much about us old-timers, and that is natural. I notice that about my own college here. I retired in 1992, and today I don't know more than half the faculty.

**AEN:** How did you come to acquire the Mises papers for the Grove City library?

**SENNHOLZ:** Soon after the death of Dr. Mises, Mrs. Mises was eager to sell the Mises library, which consisted of 5,000 to 6,000 volumes. She asked me to arrange for Grove City College to buy them. But I knew the Mises library mainly contained books in German, French, and Italian—languages that the students at Grove City cannot read. Therefore, I suggested that Mrs. Mises offer the library to the graduate school of New York University, the liberal arts college.

She made that offer, but New York University said that it would integrate all these books into its own foreign-language collection. Mrs. Mises did not like that idea. Then George Roche of Hillsdale College came along. He bought the library—although the students at Hillsdale surely could not read them, either. The books are now locked up.

Then, Mrs. Mises approached me with the papers, and Grove City College purchased them. The papers are very interesting, a gold mine for the right scholar. I have a suspicion, by the way, that a few papers have disappeared.

**AEN:** You retired in 1992 as a professor, but you certainly didn't retire from work. In fact, that

## CALENDAR

AUSTRIAN SCHOLARS  
CONFERENCE 8  
March 15–16, 2002

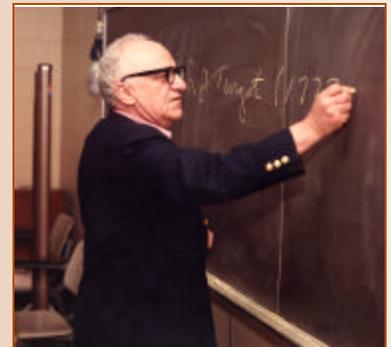
HISTORY OF LIBERTY  
May 26–31, 2002

HUMAN ACTION SEMINAR  
June 2–8, 2002

ROTHBARD GRADUATE SEM-  
INAR: *THE ETHICS OF LIB-  
ERTY*  
July 28–August 2, 2002

MISES UNIVERSITY  
August 4–10, 2002

MISES INSTITUTE  
20TH ANNIVERSARY:  
"THE SCHOLARSHIP OF LIB-  
ERTY"  
October 18–19, 2002



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same year, you took on a tremendous challenge as president of the Foundation for Economic Education (FEE).

**SENNHOLZ:** The Foundation was in an extremely precarious condition financially, losing \$1 million per year. The accountants were so certain that the Foundation would not survive the year, they were no longer withholding income taxes because they assumed the taxes paid would have to be refunded.

Immediately upon assuming the presidency, I cut costs drastically. To set an example, I cut my own salary in half, and then in half again, until FEE balanced its budget. I made every effort to develop “earned income” through sales and fees earned by the FEE staff. Within one year, FEE was operating in the black. This made it possible for FEE to celebrate its fiftieth anniversary in 1996, with former British Prime Minister Margaret Thatcher as keynote speaker. When I retired after five years, at the age of 75, the FEE Board of Trustees voted me president emeritus.

**AEN:** Are you writing your own memoirs?

**SENNHOLZ:** As a matter of fact, I have done so. There are 400 pages locked away. They are not for publication, but my son, the man behind Libertarian Press, is very anxious to get his hands on those pages. I talk about being in the war and being a fighter pilot and all my years of researching and teaching. The focus is on biography and not philosophy.

**AEN:** How long did you spend translating Eugen von Böhm-Bawerk’s work?

**SENNHOLZ:** I would typically translate two pages a day, every day, which took about two hours. It took one year for each volume of *Capital and Interest* that I translated. As a poor professor, I was very pleased to receive payment per page. Normally, translators work from a foreign language into their native tongue. I did the reverse, and I am very proud of that fact. In Germany, I had eight years of French, five years of Latin, and three years of English, and this training proved very useful.

The whole Böhm-Bawerk project was begun by Frederick Nymeyer, an eminent American businessman of Mises’s own generation. Nymeyer served on the boards of directors of many companies and was very enthusiastic about Mises’s work. Nymeyer was also the founder of Libertarian Press, which worked to keep Austrian writings in print. He once went to Mises and asked what he could do. Mises told him: publish all these Austrian books in English, with your own money. Nymeyer readily agreed. He was a real gentleman.

**AEN:** The name Libertarian Press: Was the word “libertarian” in circulation in the late 1950s?

**SENNHOLZ:** No, it wasn’t, so Nymeyer had foresight in this, too.

**AEN:** You have written against the supply-side school. They seem to be active again.

**SENNHOLZ:** I know. I often get emails from them.

I wrote about ten pages on this subject in my book *Money and Freedom* (1985). I have two basic objections to the supply-side school. First, while supply-siders are for tax cuts, they don’t call for spending cuts. But spending is the real burden of government. Taxation is only a method of finance. The consumption of wealth and resources takes place by spending.

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The Reagan policies were supply-side policies, and they ended up creating huge debts and deficits.

My other objection concerns their prescription for what they call a gold standard. But what they favor is not a real gold standard. They want the money supply managed with one eye on the gold price, but

the basic approach is still monetary management. They accept the whole system of government control of money.

**AEN:** You have also been critical of the Chicago School.

**SENNHOLZ:** We should be appreciative, of course, of the effective challenge that the Chicago

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School presented to the Keynesians. But thirty years ago, I predicted that the Chicago alternative to Keynesianism would not be intellectually durable. I said that it was built on the quicksand of macroeconomic analysis, that it misinterpreted the business cycle, and that it proposed an inherently inflationary policy prescription that makes government the guardian of our money. Time has borne all that out.

**AEN:** Your critique also goes to the heart of economic method.

**SENNHOLZ:** We cannot ignore that chasm that separates the Chicago School from the Austrian School in all matters of epistemology. These differences leave their mark on many economic theories, particularly monetary theory. The Chicagoans represent variants of logical positivism; the Austrians view monetary knowledge in the light of a general theory of human knowledge, called praxeology.

The Chicagoans are seeking knowledge of which experience is the content. Professor Friedman's "positive" economics comprises descriptions of economic reality, which is suppose to provide the tools for predictions. Disagreements usually are not over ends-in-view, but over predictions regarding the effects of policies aiming at certain ends.

Austrian economists view economics in an entirely different light—as a branch of praxeology, which is purely theoretical and systematic. Its doctrines are not derived from experience, but are a priori like those of logic and mathematics, and antecedent to any comprehension of economic facts and events.

Economics is not "quantitative" and does not measure human action, because there are no constants in individual choice and preference. Austrian economists do not search for better technical methods of measurement because they realize its futility on ontological grounds.

Statistical research into economic events offers interesting historical information on nonrepeatable data, but provides no knowledge that is

valid universally. It does not afford the material of which economic theories are made, nor does it permit predictions of future events.

**AEN:** What are the differences over money itself?

**SENNHOLZ:** To the Chicagoans, the ultimate function of money is to serve as a measure of value. But to the Austrians, money is the most marketable good a person can acquire. It is never "idle," nor is it just "in circulation." It is always in the possession or under the control of someone. The demand for money is subject to the same considerations as that for all other goods and services. People expend labor or forego the enjoyment of goods and services in order to acquire money.

Also, the quantity theory of money as understood by Austrian economists is merely another case of the general theory of demand and supply. Austrians reject the quantity theory of the monetarists as a manifestation of holistic thought and a tool for government intervention.

**AEN:** You have never shied away from issues of morality when discussing economics.

**SENNHOLZ:** I firmly believe that good morals are the basis of a private property order. Moral laws confirm individual dignity and responsibility. Think of the commandments: Thou shalt not steal, thou shalt not kill, thou shalt not covet, thou shalt not bear false witness. These are the very foundations of a peaceful society and a productive economic system.



*Hans and Mary Sennholz*

The private property order rests squarely on truthfulness, reliability, and voluntary cooperation. In a free market, a businessman who deceives his customers will lose them. If he mistreats his suppliers, they will refuse to sell. If he abuses his workers, they will leave.

In the same way, economic poverty and misery flow from a code of morality that is hostile to economic production. There can be no prosperity where theft and plunder are commonplace, where private property is confiscated, expropriated, seized, blocked, or taxed away by political authority.

A society that is driven by envy and covetousness is bound to be a poor society. The apparatus of government may be used to redistribute income and wealth according to the dictates of the envious. Industrious people may be forced to bear the expenses of transfer programs and to face the costs of vice and crime. Envy and covetousness are the fertile soil in which vice and

crime do grow and prosper. Moral ideas are essential to human well-being. That is why I believe it is essential for economists to address these topics.

**AEN:** Given your view, you must worry about the education system.

**SENNHOLZ:** It is difficult to advance economically if the voices of education tirelessly denounce and slander private property and capitalism. Politicians and regulators appeared on the education scene only recently, with the growth of the omnipotent State. In the U.S., this happened during the middle of the nineteenth century, when the claim was first made that the State has the right to insist on universal education of its citizenry. The idea was that everyone is likely to benefit richly from the education of his fellowman.

**AEN:** This is undoubtedly true.

**SENNHOLZ:** Yes, but this does not give politicians the right to use

the State instruments of coercion to force education on its subjects. All force used by one individual against another is immoral, and it is especially wrong when perpetrated by agents of the State. It is even worse when the very education imparted by the State differs from that sought by parents and negates the basis of a good education.

As individual parents, we would not think of seizing property from our neighbors to finance the education of our children. But as members of political society, we

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think nothing of taxing and spending so that our children may receive a “good education.”

In the same way, we believe that it is wrong to steal from widows and orphans, and yet, as members of the body politic, we do not hesitate to levy confiscatory estate and inheritance taxes that force people

to surrender their wealth to tax collectors. It is as if we have two souls in our breasts: one that seeks to live by Judeo-Christian principles, and one that loves to steal and plunder, especially by majority vote.

**AEN:** What do you think about homeschooling?

## THE LAW OF NATURE IS ON OUR SIDE. ECONOMIC INTERVENTION WILL CONTINUE TO FAIL BY INFLICTING COSTS ON US AND MAKING EVERYTHING LESS EFFICIENT.

**SENNHOLZ:** Just this morning, I was teaching a class on American economic history to my grandchildren, 9 and 11, who are being homeschooled. Today, I talked about the land-grant policy of the United States.

My grandchildren are American, but they are both fluent in Chinese, which was taught to them by a tutor. This is all quite exciting. This approach to schooling wasn't even an option thirty or forty years

ago, but the proliferation of home-schools and private schools reflects the failure of the public school system.

**AEN:** With all of your recent writings, you must be reaching a larger audience now than ever.

**SENNHOLZ:** Yes, due to the Internet. In the old days, I would sell articles to journals, and the money would add up. Today I am reaching millions of people in several languages, but no one pays me. But I am very happy that I can still be a teacher.

**AEN:** What advice do you have for young Austrian professors?

**SENNHOLZ:** If you want to dedicate your life to imparting knowledge, take on a college of your choice and give your life to it. If you stick with it, you can change the flavor and color of an institution of learning. Many young professors, however, are more concerned about their individual careers, and they end up changing institutions all the time, moving from place to place. You cannot have an impact that way. If you want to have an impact, you must dedicate yourself to one place.

Also, do not behave like typical college teachers, who want fewer hours, smaller classes, and higher pay. They behave like members of a labor union. But making such demands will destroy a department. It will also make you irrelevant as a teacher and a thinker. You must seek to reach as many as possible so that you can have the greatest impact. I would also recommend that young professors

seek out the best colleges, which is where we will find the next generation's leaders. We all have much work to do.

**AEN:** What is your opinion concerning the future of liberty?

**SENNHOLZ:** I am very optimistic. All over the world, there has been a trend toward improving living conditions, due to globalization and freer markets. From China to Latin America to Russia, the world is moving in our direction. Many young people today are too young to remember a time when government control was the only trend and we saw the result of increasing levels of poverty and human suffering. That has begun to change.

At the same time, however, governments are also growing. So these trends do not follow a one-way street. Yet we should be confident, because the law of nature is on our side. Economic intervention will continue to fail by inflicting costs on us and making everything less efficient. The politicians and the bureaucrats will continue to try because there are too many people who benefit from it. They will cling to these methods till the last. Even today, they are trying to make socialism work.

Observing this, Mises was basically pessimistic about the prospects of freedom. He was a hard worker, and he never despaired, but he did not believe we would get as far as we have. But our movement is growing, and freedom is on the march. That is why I am basically optimistic about the progress of mankind. AEN

## About the *Austrian Economics Newsletter*

The *Austrian Economics Newsletter* began publishing 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 to be a closed chapter in the history of thought, supplanted by Keynesianism and the neo-classical synthesis. The purpose of the *AEN* was to provide a forum for Austrian students and serve as a communication 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	Hans-Hermann Hoppe	Michael Prowse
Walter Block	Jeffrey M. Herbener	George Reisman
James Buchanan	Jesús Huerta de Soto	Murray N. Rothbard
Paul Cantor	Israel M. Kirzner	Joseph T. Salerno
Thomas J. DiLorenzo	Peter G. Klein	Pascal Salin
Gene Epstein	George Koether	Hans F. Sennholz
Roger W. Garrison	Alexander Kouryaev	G.L.S. Shackle
James Grant	Ludwig M. Lachmann	Frank Shostak
Bettina Bien Greaves	Fritz Machlup	Karl Socher
Gottfried von Haberler	Yuri N. Maltsev	Mark Thornton
Henry Hazlitt	Roberta Modugno	Richard K. Vedder
Randall G. Holcombe	Hiroyuki Okon	Leland B. Yeager

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

With the expansion and redesign of the *AEN* that began with Volume 21, the *AEN* has sought 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.

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