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THE MISESIAN

WAR, TAXES, AND THE NATIONAL SCIENCE FOUNDATION

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Mises Institute faculty and scholars will discuss how to resurrect American liberty. Our keynote speaker will be the popular *Mises Wire* contributor, libertarian journalist, and prolific author James Bovard, whose latest book, *Last Rights: The Death of American Liberty*, was written especially for our event.

Featured guests include James Bovard and Tom Woods, who will join Lew Rockwell, Tom DiLorenzo, Guido Hülsmann, Joe Salerno, Bill Anderson, Per Bylund, David Gordon, Jeff Herbener, Peter Klein, Bob Murphy, Jonathan Newman, Patrick Newman, Ryan McMaken, Wanjiru Njoya, Alex Pollock, Shawn Ritenour, Timothy Terrell, and Mark Thornton.

Registration is $475 per person and includes two receptions, two breakfasts, two lunches, one dinner, refreshments, and access to all sessions. **You must be a Mises Member to register for this event**. If you have questions about registration or are interested in becoming a Member, please call our office at (334) 321–2100 or email events@mises.org.

For more information or to view the preliminary schedule, visit mises.org/ss25.

From the Editor

Our great Senior Fellow Alex Pollock has pointed out that the reason Napoleon created the Bank of France was to make sure there was a bank that would always lend him money. Napoleon, of course, needed immense amounts of money because the French state was almost constantly at war during his reign. Having a central bank at his fingertips made it a lot easier for Napoleon to wage his wars on the rest of Europe.

Napoleon was a pioneer when it came to understanding and augmenting state power. He created what is recognizable today as perhaps the first modern national security state, with an economy and political system devoted overwhelmingly to war.

The Bank of France was crucial to all of this. At the center of any militaristic state are the institutions necessary to fund the state and its wars. This is as true today as it was two centuries ago. The power to tax, spend, regulate, and inflate is inseparable from the power to make war. Indeed, it is essentially impossible to discuss wars and foreign policy without considering the state's extraction of resources from the domestic population.

In this issue of *The Misesian*, we take a look at how states use their fiscal and financial powers to convert the productivity and resources of the private sector into warmaking power for the state's elites. These insights are drawn from our inaugural Revisionist History of War Conference, which was held at the Mises Institute this past May. The conference brought together more than a dozen economists, historians, and other commentators to share their findings on the intersection between warfare and state power.

Two of the lectures have been adapted for readers in these pages. The first is by our Senior Fellow Peter Klein, who examines how state-funded research turns science and technology toward the state's warmaking priorities. Key to this process, Klein shows, has been the use of taxpayer funds to co-opt private-sector research and talent. By making government contracts lucrative, and by crowding out private dollars, the US government has redirected an enormous swath of research and technological development activity toward its own government sector. It is no coincidence that the American tech sector works so closely with the US government's intelligence agencies and military institutions. Since 1945, the federal government has come to dominate the tech sector with seemingly endless contracts and grants paid for by American taxpayers. This has also created a new class of scientific experts who rely on government funding for much of their work.

The second lecture featured here is by Henry Hazlitt Research Fellow Jonathan Newman. Newman looks at the critical role of the Federal Reserve in financing the US government's wars. Discussion around the Federal Reserve has often focused on the myth that the central bank is independent in that it is indifferent to the political priorities of elected officials. Newman shows that this is certainly not the case, and that when it comes to war, the Fed has always been thoroughly compliant in stepping in to "print" money to fund the government's wars. Specifically, Newman examines the Treasury-Fed Accord of 1951, which allegedly solidified Fed independence for decades afterward. Newman shows this narrative is not accurate at all. Ultimately, the facts of history support Ron Paul's observation that "It is no coincidence that the century of total war coincided with the century of central banking."

Readers will find much more in this issue of *The Misesian* as well, including a new book review from David Gordon, a short lecture by Joseph Salerno, and the latest news from the Mises Institute. ■

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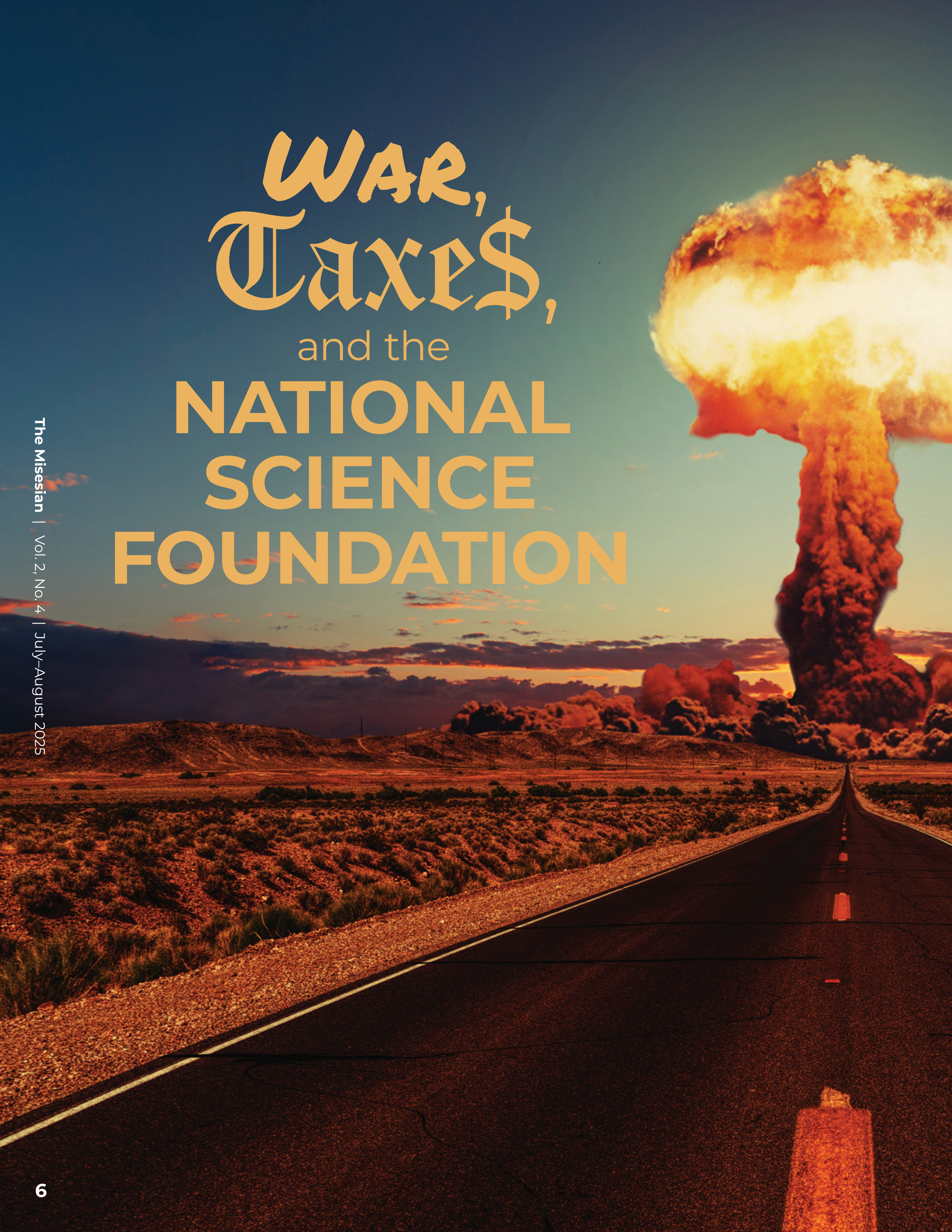
War, Taxe$, and the NATIONAL SCIENCE FOUNDATION



Peter G. Klein

Dr. Peter G. Klein is the Carl Menger Senior Research Fellow of the Mises Institute, where he serves on the board of directors. He is the W. W. Caruth Endowed Chair and professor of entrepreneurship at Baylor University's Hankamer School of Business. He is also academic director of Baylor's John F. Baugh Center for Entrepreneurship and Free Enterprise and adjunct professor of strategy and management at the Norwegian School of Economics.

This article is adapted from a lecture delivered at the Revisionist History of War Conference at the Mises Institute, May 17, 2025.

The National Science Foundation (NSF) is usually described as a neutral promoter of basic scientific research, which is useful in its own right but also leads to "spin-off" technologies and other improvements in the quality of life. That's, of course, what you're hearing now. People who are upset about the situation at Harvard—where the Trump administration is seeking to end various government research grants—are claiming lives will be lost and catastrophic damage will occur because of cuts to federal research grants held by Harvard personnel.

What Is the Rationale for Government Research Subsidies?

Now, this is mainly a case-study talk, but it's worth having a little bit of theory in the backs of our minds before we get into it.

In the standard textbooks, the rationale for government subsidies for scientific research is the idea that science, or at least basic scientific research, is what mainstream economists call a public good. That is, it has a number of important spillover benefits that accrue to the private sector, to other actors. And the public goods nature of basic science means that it's very difficult for those who invest in basic science to profit from it or to capture the economic returns of those investments. Therefore, it is assumed the free market won't produce enough basic science and the government has to step in. But the usual way that this argument is illustrated

We don't really have a way of evaluating or measuring the value to society, the value to the market, the value to humanity of things that are not bought and sold in markets.

During World War II, and up until about 1950, when the National Science Foundation was created, there was quite a lot of US government funding of scientific research.

is by pointing to successful, or supposedly successful, examples of innovations that were funded by the government, and even cases where the research was conducted by state actors, particularly during wartime.

Keep in mind that there are, even at this level of the conversation, some important theoretical challenges and difficulties. One is that we don't really have a way of evaluating or measuring the value to society, the value to the market, the value to humanity of things that are not bought and sold in markets. So, it's one thing for the scientist to say, "This book that I've written, this article I've published, this thing that I discovered in the lab is going to have these enormous benefits for society." Does it? We don't really have a mechanism for evaluating the merits of such activities outside of the market mechanism, how much people are willing to pay to obtain a marginal unit of that thing. When the thing isn't traded at all, this is all just a sort of speculation, right?

There's also a technical point that I think hasn't been explored as much among Austrian economists as it could be: that the public goods characterization of basic science is probably not correct. There are a number of papers by Terence Kealey, Martin Ricketts, and others characterizing scientific research as what they call a contribution good. By this they mean you have to be a contributor to basic science to understand the work well enough to profit or benefit from it. So, it's not the case that the benefits just spill over to the general public. They only spill over to other people who are also invested in doing the research themselves.

As far as the empirical case for the standard argument goes, what we most often see is a list of a bunch of examples of successful inventions, innovations, in which government funding played a role. The standard-bearer for this argument in our day is an Italian economist in the UK named Mariana Mazzucato, who published a book called *The Entrepreneurial*

State. She looked at the iPhone and said, "Well, if you trace back all of the technologies in an iPhone, there was some state involvement in that discovery process through federal labs or federally funded university labs and so forth. Therefore, government spending on science and technology is good."

You can probably immediately see the flaw. There's a statistical, or methodological, flaw in this kind of argument. The technical name for it is sampling on the dependent variable. If you pick a bunch of examples of useful innovations and then trace the role that government funding played in them, that doesn't tell you what the role of government funding is for the *average* innovation or activity. You're just picking a few winners and trying to trace backward. It's like those articles you see on your phone saying things like "Billionaires do the following things every day. They get up. They brush their teeth. They make coffee. Therefore, if you do these things, you too can be a billionaire." It's exactly the same kind of argument.

But you could find just as many useful innovations that were *not* federally funded. The argument in favor of government funding relies on cherry-picking a few examples, and that doesn't tell us anything about the *average* expected value of a dollar of federal science funding.

Origins in the Second World War

Now, let's get to the case evidence. During World War II, and up until about 1950, when the National Science Foundation was created, there was quite a lot of US government funding of scientific research. The biggest funder by far was the Office of Scientific Research and Development (OSRD), which was a World War II–era agency that funded research—from radar to the Manhattan Project—both in government labs and in private and university labs. By the end of the war this office was giving out about $500 million a year, constituting the majority of all federal research funding for science. Most of it was going to universities, so universities were the paid contractors who were executing these projects on behalf of the federal government. This was a very widespread, broad-based program. Some 600 projects at more than 80 universities received OSRD funding through the end of World War II.

If you look at some scientific fields, their path of development was altered by the influence of military objectives and military funding.

There were a couple of other federal entities that were important science funders. These were the Office of Naval Research and the Atomic Energy Commission, which, of course, would become more important at the end of the war and remain so up until 1950. Both of these organizations were also spending considerable amounts of taxpayer money to support scientists and researchers who were mainly devoted to wartime technologies and some spinoffs of these wartime technologies.

This pattern of federal spending had a significant impact on what kinds of projects scientists worked on during this time, the ways that scientists collaborated, and so forth.

A very well-known twentieth-century social commentator named Seymour Melman made the argument in a series of books and articles that the national defense orientation of all this federal research and development funding tended to bias or influence research in a particular direction. He found that it crowded out private funding for other research and development.

All the key personnel at the NSF were performing essentially the same functions that they had performed at wartime agencies. Understanding government contracts and knowing how to get federal grants was now part of what it meant to be a scientist.

Melman, even though he was known as a polemical writer, did a lot of very detailed case studies as a social scientist.

One was on the machine tool industry, which was one of his areas of specialization. He pointed out that this industry, during the 1940s, became transformed into one that basically served a single customer, the Pentagon. This had a number of impacts on what the industry was doing and contributed to its failure in the postwar period. As a result of its orientation toward the government, it was not internationally competitive, and it did not have a diversified set of capabilities because it had been serving exclusively one customer. The failure of private investment to support other kinds of research activity to develop the machine tool sector contributed to that sector's decline.

A similar argument was made by the historian Paul Forman in what has been called the distortion thesis. He argued that if you look at some scientific fields, their path of development was altered by the influence of military objectives and military funding. Certain scientific fields like solid state physics and quantum mechanics became more important than they otherwise would have because that's where all the federal dollars were going, especially for nuclear projects.

This led to the transformation of the scientific enterprise into one where the new view among scientists was "We're all working together in a team for the common good." This was a transformation of how scientists understood their roles in relation to each other, their roles within society, and their roles in relation to funding agencies.

Being asked to serve on a military commission as a scientist was a great honor. So, scientists were, of course, choosing certain projects and presenting the work in such a way as to make it more attractive to the people who could invite them to be on these commissions.

Government-Funded Research in Peacetime

At the conclusion of World War II, and in the years immediately following World War II, it was recognized that something like the OSRD was not designed appropriately for peacetime. There were several proposals for some kind of a national science agency. Probably the most popular vision at the time for a national science agency was the one articulated by a man named Harley Kilgore.

Kilgore was a senator from West Virginia. He was a New Dealer and a progressive, populist type. He believed that just as the New Deal had harnessed the resources of society, under the leadership of Washington, DC, to pull us out of the Depression, the scientific community likewise needed to be mobilized to serve the common good under the guiding hand of the federal government. Science, he said, is a national resource, just like agricultural land or minerals.

In this way of thinking, these natural resources can't be left to the decentralized process of scientists and universities competing with each other. It needs to be organized by the federal government. Kilgore wanted to produce a cadre of scientists trained by the federal government and loyal to the needs and objectives of the federal government, which for him was a proxy for the people at large. Kilgore thought that federally funded science should serve the "public interest" and should serve national needs, including applied research and social science work. Government officials should be in control. In fact, he wanted Congress to be in control of how the resources were distributed and how projects were evaluated. He wanted things distributed equally across states and regions, and he wanted the government to own the intellectual property rights and to hold any patents that came out of federally funded research.

There was another competing vision of a national science agency around this time, and it was articulated by a man named Vannevar Bush (who was not related to the other Bushes). Vannevar Bush was a very important early twentieth-century engineer, public servant, and intellectual. He was a successful inventor, and had a number of important patents for radio tubes. He was a cofounder of the company that later changed its name to Raytheon. He was dean of the engineering school at MIT, he then became president of Carnegie Mellon University, and he was the head of the OSRD during World War II.

Bush articulated a vision of a different kind of national science agency, one that would

be controlled by scientists who would pursue scientific research on its own merits, outside of political interference. He wrote a famous, lengthy essay that was published as a book called *Science, the Endless Frontier* in 1945. In the book, he made the standard arguments you get in mainstream text today: Science is a public good, and it has all these spillovers, and to improve the lot of humanity, we need to spend more on basic science than what the market will allow. His vision for an agency was that it would not do any applied, technical work. It would only do basic work. No social science. Scientists themselves would be in charge. The work would all be done in universities and governed by universities, not by federal labs. Projects would be selected purely based on their scientific merit as judged by other scientists. So, the public would write the checks, but the public would not have any influence on what got done.

Several bills were introduced in Congress in the 1940s on this topic. There was a bunch of intrigue and debate and jockeying for positions. If you go to the NSF website and look at its little essay on the history of the NSF, the story you get is the following: The foundation was established by Congress in 1950, and it was a full endorsement of the Vannevar Bush model of a scientist-led, basic science–oriented, pursuit-of-science-for-its-own-good kind of organization without any military or political influence. The reality, as you can imagine, is more complicated.

There was ultimately a debate between the Kilgore model and the Bush model, and the Bush model won out, so the NSF was created to do basic science along the lines articulated by Vannevar Bush. But, of course, the reality is that the true NSF was kind of a compromise that reflected elements of both the Bush proposal and the Kilgore proposal. It was not independent of federal influence; it was not independent of the military, contrary to what you typically hear about this.

So, what did the NSF end up looking like? Well, it does emphasize basic research, not applied R&D, conducted in university labs rather than government-owned labs. Priorities and disbursements are generally set by scientists, through peer review, and not by

The reality is that the true NSF was kind of a compromise that reflected elements of both the Bush proposal and the Kilgore proposal. It was not independent of federal influence; it was not independent of the military, contrary to what you typically hear about this.

Congress. Universities can own the patents, and universities make billions today from patents that they receive through federal funding. (That's one of the controversial issues that Trump has raised.) However, at the same time, the head of the NSF is appointed by the president, subject to Senate confirmation. The budget is established by Congress, and there is a mandate in the NSF charter to develop what they call national priorities, to direct science in the interest of the nation as articulated by the federal government.

The NSF certainly does have a mandate, at least an implicit mandate, to organize itself and to support activities that in some sense are consistent with national priorities, whatever those might be. And incidentally, the concerns raised by people like Melman and Forman were already being realized. The things they were worried about were already taking place: the crowding out, the distortion.

It's not the case, as you sometimes hear, that the NSF reversed all that by supposedly taking science away from the military, deemphasizing military needs, and allowing for bottom-up, peer-reviewed scientific progress purely on its own merits. Rather, science continued to be dominated by Cold War concerns in the 1950s, '60s, and '70s, and this even continues to some extent today. It's certainly important to keep the military context in mind. We never would have had this conversation about the need for a national science agency had it not been for the Second World War and the belief that the reason the Allies won the war was their superior science.

Because of this view of the war, there was also a concern that the market was not producing enough scientists and therefore we needed the NSF and similar agencies to train and fund scientists. I don't know if you've read Rothbard's article on science—"Science, Technology, and Government"—which was written in 1959 but only published by the institute in 2015. Rothbard points out that being a scientist is a contribution to the labor market just like any other kind of labor activity. If there's a genuine shortage, then wages will rise to clear the shortage. There's no evidence that the number of scientists that we have on the free market is somehow less than the optimal amount.

The growth of government research also helps to illustrate Robert Higgs's ratchet effect in government spending.

All the key personnel at the NSF were performing essentially the same functions that they had performed at wartime agencies. Understanding government contracts and knowing how to get federal grants was now part of what it meant to be a scientist.

What Are the Benefits, Really?

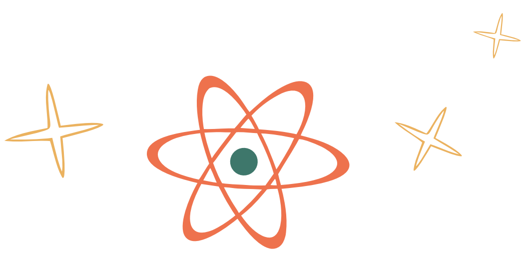
Now, there are a number of recent studies by economists and other social scientists on the impact of the NSF and similar agencies. There's a very interesting 2023 National Bureau of Economic Research paper—"America, Jump-started: World War II R&D and the Takeoff of the U.S. Innovation System," by Daniel Gross and Bhaven Sampat—on the OSRD which essentially claims that there were large positive spillovers from OSRD funding, but also claims that this defense-related funding permanently changed the trajectory of overall US innovation in the direction of OSRD-funded technologies.

So, what would markets for telecommunication and computing and aviation and other high-tech sectors look like had the funding come from private sources? Well, it's impossible to describe that counterfactual precisely, but it would almost surely be different from the pattern of scientific development that occurred during the Cold War, largely due to government funding.

There are studies that look at the impact of government funding on specific outcomes—the amount of R&D that private firms do, the amount of patents that private firms get, and how scientists do in their careers—typically showing positive relationships. So, when the government spends more on scientific research, you get these other "beneficial" spillover outcomes.

But I just want emphasize for you what the outcomes are: the *amount* of R&D that private companies do, the *amount* of patents that private companies get, and the career advancement of government-funded scientists. Well, it's probably not shocking that there are some positive correlations there. You can call it cronyism if you want. It's not the same thing as establishing societal benefit from government science funding. As I mentioned before, it's impossible to measure the impact of government funding on socially useful innovation, which is not the same

These scientists have been transformed into grant hunters, and that gives them lots of incentives to lobby for even more federal funding. So, scientists themselves are among the most up in arms at the proposed cuts to federal research funding among universities today.



thing as R&D expenditures by large corporations or patents.

Nor can we just cherry-pick a few cases. Rather, you need to look at what they call the average treatment effect. There's a lot of variety in the sense that the vast majority of federally funded research projects probably have a *negative* social impact. Think about the humanities. In many other cases we might see a neutral impact. There's a lot of heterogeneity there.

In any case, we're putting government-funded actors in charge of picking winners. So, you have a politicized research university. It's no surprise that all this stuff going on at Harvard, Columbia, etc., is going on now *because* these university actors are the primary contingent chasing federal funds.

I've written and spoken about the broader issues around using taxpayer funds for science, which is kind of where I started the talk today. Well, one of these issues is the assumption of what you might call the linear model, or the naïve linear model, of science, in which scientists unconcerned with application do very basic research that spills over into some applied research. Then, private actors do research and development, and eventually you get useful gadgets. The idea is that research flows from basic to applied to sellable.

That model is almost certainly wrong descriptively, and even, if you think about it, theoretically. Rothbard talks about this in the article that I mentioned. Also, I recommend a great book by David Noble—*America by Design*—on the role that tinkering by private actors plays in stimulating even basic scientific advances.

At the end of the day, the linear model is one in which scientists are independent but are engaging in their independent activities at the taxpayer's expense. So as a result, we have all the problems that we've already been describing. These scientists have been transformed into grant hunters, and that gives them lots of incentives to lobby for even more federal funding. So, scientists themselves are among the most up in arms at the proposed cuts to federal research funding among universities today. This even includes, by the way, outrage over proposals to simply cut the overhead rate that universities charge on federal grants. It almost sometimes seems like a lot of this is about scientists who just want to be able to do more science on your dime. Understandably, you might be led to think that scientists just want your money. The sophisticate tells you, "No, no, no, this is about basic research and spillovers and public goods." But probably, at the end of the day, the scientists just want your money. ■

OUR BEGINNERS VIDEO SERIES GOES GLOBAL

We first launched the Economics for Beginners animated video series in August 2020. The series is designed to demonstrate that economics is not a complicated subject that only people with college degrees can understand, and that economics affects everyone every day. These short, animated videos cover core economic topics, highlighting how economic decisions are a part of our day-to-day lives.

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As Ludwig von Mises understood, the fate of civilization rests upon the ideas that motivate the masses. If we fail to win the battle of ideas, we will see the horrors of history repeated.

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To access all the video series, go to mises.org/begin.

THE MYTH OF FED "INDEPENDENCE"

Jonathan Newman

Dr. Jonathan Newman is the Henry Hazlitt Research Fellow at the Mises Institute. He was the recipient of the 2021 Gary G. Schlarbaum Prize for Excellence in Research and Teaching to a Promising Young Scholar. He is the author of three children's books: The Broken Window, Ludwig the Builder, *and* The Magic Coin. *His commentary appears regularly in the* Mises Wire *and* Power & Market.

The Fed by design feeds the political machine in DC by concealing the costs of government spending. The Fed serves the government, not the American people.

This article is adapted from a lecture delivered at the Revisionist History of War Conference at the Mises Institute, May 17, 2025.

One of the central myths of the modern Federal Reserve is that it is "independent." The idea is that the Fed is squarely focused on its dual mandate from Congress and is not influenced by politics, presidents, or pressure from the Treasury to keep the government's borrowing costs low. In a Q&A after his recent speech, Fed Chair Jerome Powell said:

"Generally speaking, Fed independence is very widely understood and supported in Washington, in Congress, where it really matters. The point is we can make our decisions and we will only make our decisions based on our best thinking, based on our best analysis of the data about what is the way to achieve our dual mandate goals, as best as we can to serve the American people. That's the only thing we're ever going to do. We're never going to be influenced by any political pressure."

This, of course, is plainly false. The Fed interprets the "price stability" part of its dual mandate to mean that it should target 2 percent annual price inflation as measured by various official statistics. Thus, the Fed by design feeds the political machine in DC by concealing the costs of government spending. The Fed serves the government, not the American people.

But Fed independence has its own mythical history. Fed historians point to the Treasury-Fed Accord of 1951 as the watershed event in which the Fed finally broke free from political pressure. They say that the Fed was sick and tired of maintaining low interest rates for the Treasury after World War II, and that the Fed dug in its heels during the Korean War, breaking free from the reins held by the Treasury.

The Official Narrative

The official narrative goes this way: During and after World War II, the Treasury pressured the Fed to peg interest rates at 0.375% for short-term debt and 2.5% for long-term debt. According to Jessie Romero's essay on the Treasury-Fed Accord at federalreservehistory.org (a website maintained by the Fed), "The goal of the peg was to . . . allow the federal government to engage in cheaper debt financing." The Fed had to buy a lot of government debt to keep rates low, and since the Fed buys debt with new money, it resulted in large increases in the money supply. Year-over-year price inflation as measured by the Consumer Price Index hit 17.6% in June 1947 and 21.0% in February 1951.

Romero continues: "With inflation on the rise, the FOMC [Federal Open Market Committee] felt strongly that the continuation of the peg would lead to excessive inflation. Throughout that year, the FOMC tried various tactics to raise short-term interest rates, but was successfully opposed by the Treasury." After a series of meetings (some including President Truman himself) and public statements that reflected conflict between the Treasury and the Fed, "the Fed informed the Treasury that as of February 19, 1951, it would no longer 'maintain the existing situation.'"

The famous accord was reached in a meeting in early March 1951. The Treasury secretary, John Snyder, was in the hospital, so the assistant secretary, William McChesney Martin Jr., represented the Treasury. The Fed was represented by Winfield Riefler, Robert Rouse, and Woodlief Thomas. Romero says they "negotiated a compromise" and released a public statement saying they had reached "full accord with respect to debt management and monetary policies."

Romero concludes:

"At the time, it was not known how profound an effect that statement would have. But the accord marked the start of the development of a strong free market in government securities, which continues today. . . . But most important,

Fed independence has its own mythical history.

by establishing the central bank's independence from fiscal concerns, the accord set the stage for the development of modern monetary policy."

Plot Holes

One important plot hole in the official narrative is that none of the advocates for Fed independence were at the pivotal meeting in March 1951. Marriner Eccles, who was Fed chair from 1934 until Truman declined to reappoint him in 1948, had made public statements in favor of Fed independence. This was a reversal for him, since he was happy to finance government deficits during the Great Depression and World War II. I suspect that at least one motivation for Eccles's reversal is that he had personal animosity toward Truman. Eccles remained on the Fed's board of governors after Truman appointed Thomas McCabe as Fed chair in 1948.

Thomas McCabe was also a public supporter of Fed independence, but he was not at the famous meeting. McCabe was a key player in the drama: he was the one who announced that the Fed was "no longer willing to maintain the existing situation." Fed meeting minutes show, however, that McCabe did not represent a consensus view among Fed officials—maybe not even a majority view. This is backed up by a February 8, 1951, announcement from Truman after a meeting with Fed officials that "a majority of the Reserve Board members" had sided with him.

The picture we get is that McCabe and Eccles were lonely advocates of Fed independence. They might have had a few on their side within the Fed, but the fact that neither one of them represented the Fed in the Treasury-Fed Accord should make us question whether Fed independence was really on the table at the meeting. There's no indication that those who did represent the Fed (Rouse, Thomas, and Riefler) were on the side of Fed independence. In fact, there's more evidence that they were on the *opposite* side: Riefler championed the way the entire US economy was nationalized for the World War II effort; and Rouse had previously reacquired the Fed's repurchase agreement authority, which was the primary way the Fed had helped the government finance World War I.

One important plot hole in the official narrative is that none of the advocates for Fed independence were at the pivotal meeting in March 1951.

What Happened at the Accord?

The meeting itself is a bit of a mystery. While both the Treasury and the Fed released statements saying that there was now "full accord," the details are hazy. The Fed agreed to certain temporary rate pegs and the Treasury agreed to replace their 2.50% marketable bonds with 2.75% nonmarketable bonds (meaning the Fed wouldn't have to buy them). Other accounts explain that "the Fed promised to raise its discount rate only with the Treasury's permission, which was unlikely to be given except under 'very compelling circumstances.'"

In a congressional hearing after the accord, Senator Paul Douglas pried for details. The following exchanges are documented in A. Jerome Clifford's 1965 book, *The Independence of the Federal Reserve System* (published by the University of Pennsylvania Press). Allan Sproul, the president of the Federal Reserve Bank of New York, said:

"As I say, I do not like the implication which one of your witnesses left that this was a battle that the Federal Reserve won, and while it may have won a battle, that the Government always wins the wars. I say there is no battle between the Government and the central bank. It was a conflict, a difference of opinion, between the Treasury and the Federal Reserve System, both of them representing the Government, and you can call it a triumph of reason, if you want to, but not the winning of a battle."

And then when Douglas questioned Treasury Secretary Snyder, this exchange took place:

"Douglas: Who is to determine the interest rate?

"Snyder: Well, that matter is always discussed very carefully, sir.

"Douglas: Who is to make the final decision on it?

"Snyder: There is only one place that it can finally be made by law, and that is in the Treasury Department.

The Fed chair saying that the Federal Reserve has an obligation to help the president and his Treasury finance the deficit is the exact opposite of independence.

"Douglas: When the Treasury makes the decision, therefore, is the Federal Reserve Board supposed to purchase a sufficient number of bonds so that the issue can be a success at the interest rates determined by the Treasury?

"Snyder: I think we can work out cooperation.

"Douglas: Cooperation is a beautiful word, but it is like an overcoat, it covers quite a range of reality."

Indeed, Treasury and Fed officials frequently used "cooperation" and "coordination" after the accord, almost like a group of criminals who had agreed on a common story before talking to the police.

Douglas asked William McChesney Martin Jr., who had just been appointed Fed chair, how the Fed and the Treasury would deal with a "conflict of wills," to which Martin responded: "All I can say at the moment is we would sit around the table and hammer it out."

The Outcome

The best evidence that Fed independence was not achieved at the March 1951 Treasury-Fed Accord is found in what transpired afterward. A few days later, Thomas McCabe sent in what Robert L. Hetzel and Ralph F. Leach describe as "a bitter letter of resignation" in their 2001 *Economic Quarterly* article "The Treasury-Fed Accord: A New Narrative Account," and Truman appointed Martin Fed chair. Whether Truman pushed McCabe out or McCabe resigned due to dissatisfaction with what was (or wasn't) achieved by the accord, the thesis that the accord established Fed independence does not seem to hold up. Moreover, Eccles tucked his tail and retired from the board three months later.

According to Hertzel and Leach, "The initial reaction both among Board staff and on Wall Street to Martin's appointment was that the Fed had won the battle but lost the war. That is, the Fed had broken free from the Treasury, but then the Treasury had recaptured it by installing its own man." It's difficult to reconcile the view that the Fed had become independent in 1951 with the fact that Truman appointed the assistant secretary of the Treasury—*the same man who represented the Treasury's interests in the famed meeting*—the Fed chair a couple of weeks later.

Did Martin Flex the Fed's Independence?

Proponents of the Fed independence myth point to William McChesney Martin Jr. as the Fed chair who helped the Fed flex its muscles and grow into its status as an independent agency. While Martin made public statements in favor of Fed independence, he also made public statements that contradicted that view. Consider, for example, what he said in a 1955 interview with *U.S. News and World Report*:

"Q: Do you have any obligation to help them finance the deficit?

"A: We do.

"Q: How do you derive that duty?

"A: Well, because we are a part of the government."

The Fed chair saying that the Federal Reserve has an obligation to help the president and his Treasury finance the deficit is the exact opposite of independence. Martin also said: "We have a responsibility for seeing that money and credit is co-ordinated with the other Government activities" and "We can never omit the needs of the Treasury from our considerations." He also dismissed the idea of separation between the Fed and the Treasury in favor of a fence with a "revolving door."

More than a decade after the accord, in 1962, the chair of the Council of Economic Advisors (CEA) wrote to Martin saying, "Both [Treasury] Secretary Dillon and you referred to the fine cooperation that there had been all last year among the Treasury, the Federal Reserve, and the Council [of Economic Advisors]. I agree with that appraisal."

"Fine cooperation" between the Fed, on the one hand, and the president's administration, including the Treasury and the CEA, on the other, is also the opposite of Fed independence.

When John F. Kennedy reappointed Martin Fed chair in 1963, he said:

"Mr. Martin has cooperated effectively in the economic policies of this Administration, and I look forward to a constructive working relationship in the years ahead. As you know, the Federal Reserve System is a fully independent agency of the U.S. Government *but it is essential that there exist a relationship of mutual confidence and cooperation between the Federal Reserve, the economic agencies of the Administration, including especially the Secretary of the Treasury, and the President*.

Mr. Martin has my full confidence, and I look forward to continuing to work with him and his colleagues on the Board in the interest of a stronger US economy." (*emphasis* added)

You see on display here the sort of doublespeak about the Fed's alleged independence that persists to this day. JFK acknowledged the Fed's "independence" and in the same breath praised

During a crisis, the federal government explodes in size and scope. The Fed always accommodates with low interest rates, money printing, and debt purchases.

the "relationship" and "mutual confidence and cooperation" between the Fed and the administration.

Perhaps the most damning piece of evidence against the myth that Martin was a champion of Fed independence is that Martin *endorsed* JFK's plan to make the Fed chair an effective member of the president's cabinet. JFK proposed raising the salary of the Fed chair and the members of the board of governors to the salary of Cabinet members, making the Fed chair's term coincide with that of the president, and having the Fed chair report to the president. The *Business Weekly* article on JFK's proposal said there was no reason "to fear that in coordinating its activities with those of the rest of the government the Fed loses its independence. The Fed never has had the freedom to pursue a policy line without regard to what everyone else was doing, and it is unthinkable that it should." It also said that the rest of the Board of Governors recognized the benefits of JFK's proposal and that it would represent a culmination of the "record of cooperation" between the Fed and the rest of the government.

The Fed's true balancing act is to inflate as much as possible on behalf of the federal government without excessive negative political outcomes like financial crises, high unemployment, and unpopular price inflation.

Cooperation in Word and Deed

Actions speak louder than words. Proponents of the independence myth point to the low inflation of the 1950s as evidence that the Fed had broken free from the Treasury. What they ignore, however, is that Eisenhower (elected in 1953) hated inflation. Indeed, in Robert Weintraub's statistical analysis of monetary policy from 1951 to 1977, he concludes that "the dominant guiding force behind monetary policy is the President" and that "the historical records show that in each administration monetary policy fitted harmoniously with the President's economic and financial objectives and plans."

The harmony continues to this day. If you pull up any measure of government spending, deficits, and debt and compare it to the Federal Reserve's monetary policy and balance sheet over time, you find a nice correlation. Whenever the government needs to borrow, the Fed stands ready to purchase more debt with new money.

Former Federal Reseve Chairman Janet Yellen and current Fed Chairman Jerome Powell. Source: Alamy / MediaPunch Inc.

This is especially visible in crises. During a crisis, the federal government explodes in size and scope. The Fed always accommodates with low interest rates, money printing, and debt purchases.

Moreover, Martin's "revolving door" in the fence is still operational. The Treasury secretary and the Fed chair have regular meetings, and historically the best way to be appointed Fed chair is to either hold a high position in the Treasury Department or serve on the president's council of economic advisors:

- Jerome Powell was assistant secretary and under secretary of the Treasury before he became Fed chair.
- Janet Yellen was chair of the CEA before and Treasury secretary after she was Fed chair.
- Both Ben Bernanke and Alan Greenspan were chairs of the CEA before their tenures as Fed chairs.
- Paul Volcker was the director of the Treasury's Office of Financial Analysis and deputy under secretary for monetary affairs at the Treasury before he was Fed chair.

Should the Fed Be Independent?

While it's clear that the Fed did not achieve independence with the Treasury-Fed Accord of 1951, we haven't discussed whether the Fed *should* be independent. Of course, the best outcome for the Fed is for it to be abolished. The worst-case scenario would be for the US government to abolish cash in favor of a central bank digital currency—this would remove the last remaining check (albeit a flimsy one) the public has on the cartelized banking system and the government's ability to expropriate resources with monetary inflation.

Between these extremes, we can rank various institutional arrangements and monetary policies. The current arrangement involves independence in rhetoric alone. This allows the Fed and the presidential administration to play a silly finger-pointing game. President Trump can call Chair Powell a fool to blame bad economic outcomes on the Fed. Meanwhile, Powell, using characteristically passive Fedspeak, says that the federal debt is on an "unsustainable path." They play out this drama, sometimes with rhetorical fireworks—Trump wanting to fire Powell and Powell insisting Trump has no legal authority do so—but this a mere sideshow, a distraction. It's kayfabe, to use professional wrestling lingo. Similarly, some Very Serious People imagine larger conflicts between the Fed and other central banks and come to the erroneous conclusion that the Fed is protecting American interests.

The true nature of the central bank is that it is the federal government's money printer. It allows the government to expropriate resources to a greater extent than if the government had to rely on taxes alone. The dual mandate "balancing act" gives the impression that the Fed is trying to keep the macroeconomy on an even keel, but this is an illusion. The Fed's true balancing act is to inflate as much as possible on behalf of the federal government without excessive negative political outcomes like financial crises, high unemployment, and unpopular price inflation. They pretend to avoid these inevitabilities of monetary manipulation out of a sense of public service, but it's all PR and political games.

Explicit Fed *dependence* would be better. It would strip away the façade of impartiality, and ordinary people would be able to see who is responsible for high prices and business cycles. Is it the Fed or the federal government? Yes!

Fed independence platitudes are like the robes worn by Supreme Court justices. They provide the appearance of objectivity, sophistication, and sacredness. Underneath, it's all politics. ■

Former Federal Reserve Chairmen Ben Bernanke and Paul Volcker. Source: Alamy / UPI / Roger L. Wollenberg.

Rothard in 1956.
Source: Mises Institute Achives.

THE YOUNG ROTHBARD:
An Uncomfortable Neoclassical Economist

Joseph T. Salerno

Dr. Joseph T. Salerno received his PhD in economics from Rutgers University. He is professor emeritus of economics at the Lubin School of Business of Pace University in New York City. He is Editor of the Quarterly Journal of Austrian Economics and Academic Vice President of the Mises Institute, where he also serves on the board of directors.

This was the opening-night lecture at the 2025 Rothbard Graduate Seminar.

I would like to set the stage for the Rothbard Graduate Seminar by addressing a pernicious and deeply entrenched myth about Murray Rothbard and *Man, Economy, and State*—namely, that Rothbard possessed a superficial knowledge of mainstream economics when writing his treatise. Nothing could be further from the truth. In fact, Rothbard deeply engaged with mainstream economic theory throughout his treatise. This is not surprising given that when Rothbard wrote his treatise, he was a well-trained neoclassical economist who was completely conversant with the research methods and various strands of doctrine that composed the emerging neoclassical synthesis. This synthesis of the ideas of Alfred Marshall, Léon Walras, and John Maynard Keynes would come to dominate academic economics in the US by the mid-1950s. The leading architects of this approach were John Hicks, Franco Modigliani, Alvin Hansen, and especially, Paul Samuelson.

Rothbard enrolled at Columbia University in 1942 at the age of 16. At age 19 he received his AB degree with honors in economics and mathematics, and soon after enrolled in Columbia's PhD program in economics. In the 1940s, Columbia University was a leading academic institution in the US and housed one of the top three economics departments in the nation. It rivaled the University of Chicago and Harvard University, issuing more doctoral degrees than either institution. Notable faculty included Arthur F. Burns, the foremost institutionalist and a leading authority on business cycles; John Maurice Clark, a leading Marshallian and pioneer in Keynesian economics; Harold Hotelling, the renowned mathematical statistician; Joseph Dorfman, an institutionalist and influential historian of American economic thought; and George Stigler, the founder of Chicago price theory.

Rothbard took courses with all these eminent economists but was especially influenced by the institutionalists Burns and Dorfman, and there was mutual admiration between Rothbard and both professors. Burns expected Rothbard to make "a prominent place

Rothbard in 1941, a year before he began his studies at Columbia. Source: Mises Institute Archives.

for himself" in the world. Rothbard recalled that in his lectures Burns was "a brilliant theorist" and that his critique of orthodox theory was "excellent." Rothbard held Dorfman in high esteem as a historian of economic thought, writing that his knowledge of the sources was "unparalleled." He acknowledged Dorfman as one of his mentors along with Ludwig von Mises in the dedication to his two-volume treatise on economic thought. Dorfman in turn appreciated Rothbard's abilities and agreed to chair his dissertation committee. When the dissertation was completed, Dorfman lobbied to have it published by Columbia University Press.

In addition to studying the institutionalist approach under its contemporary leaders and learning Chicago price theory from its leading light, Rothbard spent an entire year in an honors seminar going chapter by chapter through Marshall's *Principles of Economics*, then the bible of neoclassical economics. But Rothbard did not just absorb different theoretical approaches and doctrines at Columbia; he also immersed himself in the study of conflicting economic methods—namely, institutionalism and positivism.

Prior to the 1940s most economists, going back to the British classical economists, utilized the deductive method to develop economic theories by tracing out the logical implications of a handful of general assumptions about human behavior and the technical conditions of production. This methodological approach culminated in the early 1930s with Lionel Robbins's monograph *An Essay on the Nature and Significance of Economic Science*. However, beginning in the early 1900s the deductive method was rejected by many economists at Columbia in favor of the Baconian empirical method championed by the institutionalists. According to this method, economic theories could be discovered only by the painstaking and copious collection and collation of facts. During the 1940s, however, both the deductive and institutionalist methods were being rapidly swept aside by the onrushing tide of positivism. The positivists argued that economic theory is developed by forming tentative hypotheses from basic assumptions about human nature and then testing these hypotheses based on how well they predict future patterns of economic facts or explain historical trends. Both the positivist and institutionalist approaches thus champion empirical analysis, but only positivism allows for a body of economic theorems that precedes investigations of historical episodes.

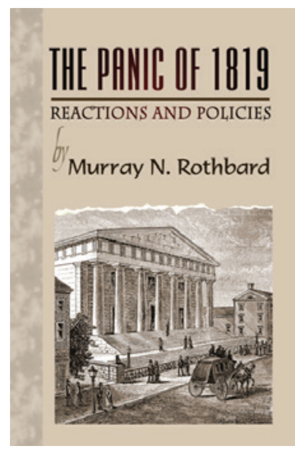
It was during this period of methodological ferment and transition that Rothbard took a course on the philosophy of economics with Ernest Nagel, one of the leading exponents of logical positivism. Nagel's criticisms of institutionalism favorably impressed Rothbard, who took copious notes on Nagel's lectures. Commenting that Nagel made "the most convincing case for neo-classical economic theory," Rothbard sent his lecture notes to Burns. He was impressed with Rothbard's notes and sent them to Milton Friedman, a former student and then colleague of Burns's at the National Bureau of Economic Research. Friedman was then writing his famous article "The Methodology of Positive Economics." Friedman wrote at the top of the first page of Rothbard's notes, "Arthur: many thanks. I found it interesting, and, of course, agreed."

Murray and JoAnn "Joey" Rothbard were married on January 16, 1953, while he was in graduate school at Columbia. Source: Mises Institute Archives.

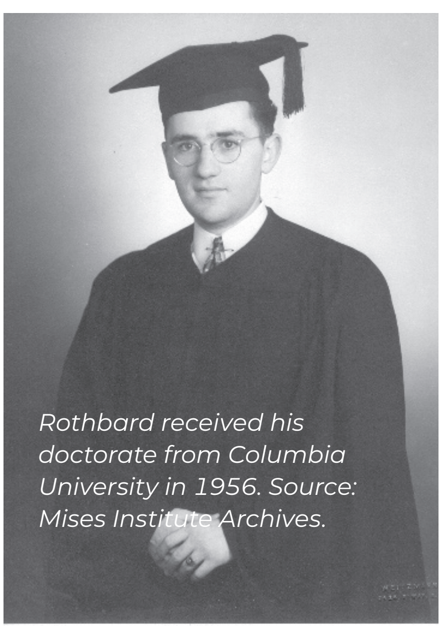
Although Rothbard was favorable to Nagel's positivist criticisms of institutionalism, he rejected out of hand the statistical basis of the positivist method. Specifically, he enrolled in a graduate mathematical statistics course offered by Hotelling but quickly became disillusioned when he realized after a few lectures that statistical inference was based on what he called the "groundless assumption" of a normal distribution.

At this stage of his intellectual evolution, Rothbard recalled, he possessed only an "instinctive feeling or insight . . . that there was something wrong" with institutionalism and positivism. Positivists were right to criticize institutionalists for their attempt to discover theories by amassing and sifting through reams of data. At the same time, the institutionalists were on the mark when they attacked the positivists' use of false assumptions. But their addition of more realistic supplementary assumptions only covered up, and did not substantively change, the theoretical edifice built upon false premises. Rothbard's elite Columbia education thus left him with an inchoate feeling that something was wrong with both approaches to economics. He later reflected that he tended to "agree with institutionalist critiques of Keynesians and mathematicians, but also with the latter's critiques of the institutionalists."

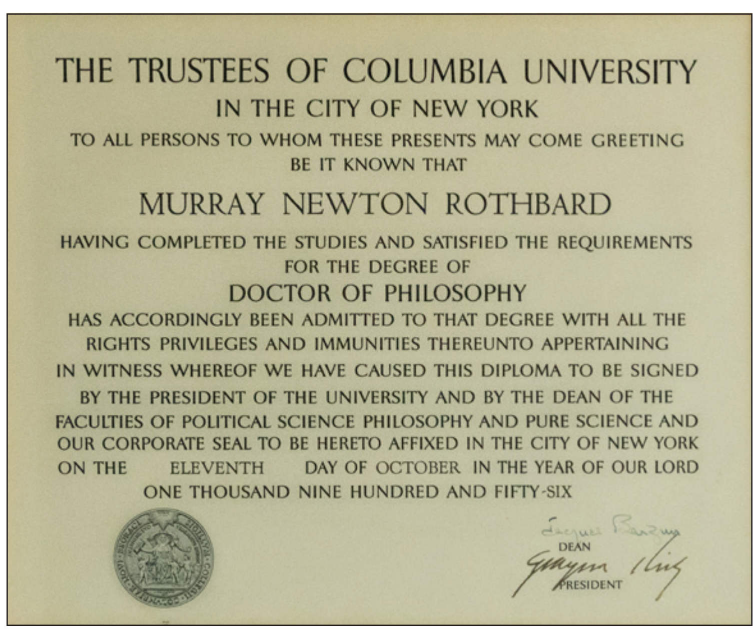
Unfortunately, Rothbard did not then fully grasp the alternative to institutionalism and positivism, the deductive method, which had been the traditional approach in economics from its inception as a science in the eighteenth century. Furthermore, he did not know that significant improvements had been recently made in this method by Ludwig von Mises. The praxeological method logically deduced theorems only from assumptions that were self-evidently true, meaning that neither the assumptions nor the theorems required empirical verification.



When Rothbard wrote his treatise, he was a well-trained neoclassical economist who was completely conversant with the research methods and various strands of doctrine that composed the emerging neoclassical synthesis.

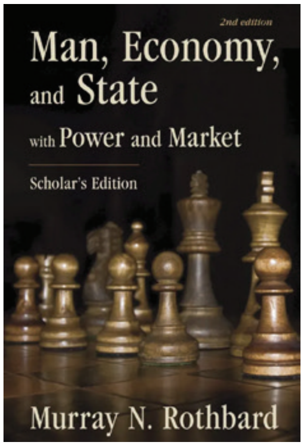

Rothbard received his doctorate from Columbia University in 1956. Source: Mises Institute Archives.

Rothbard's doctor of philosophy diploma is on display at the Mises Institute.


THE TRUSTEES OF COLUMBIA UNIVERSITY
IN THE CITY OF NEW YORK
TO ALL PERSONS TO WHOM THESE PRESENTS MAY COME GREETING
BE IT KNOWN THAT
MURRAY NEWTON ROTHBARD
HAVING COMPLETED THE STUDIES AND SATISFIED THE REQUIREMENTS
FOR THE DEGREE OF
DOCTOR OF PHILOSOPHY
HAS ACCORDINGLY BEEN ADMITTED TO THAT DEGREE WITH ALL THE
RIGHTS PRIVILEGES AND IMMUNITIES THEREUNTO APPERTAINING
IN WITNESS WHEREOF WE HAVE CAUSED THIS DIPLOMA TO BE SIGNED
BY THE PRESIDENT OF THE UNIVERSITY AND BY THE DEAN OF THE
FACULTIES OF POLITICAL SCIENCE PHILOSOPHY AND PURE SCIENCE AND
OUR CORPORATE SEAL TO BE HERETO AFFIXED IN THE CITY OF NEW YORK
ON THE ELEVENTH DAY OF OCTOBER IN THE YEAR OF OUR LORD
ONE THOUSAND NINE HUNDRED AND FIFTY-SIX

DEAN

PRESIDENT



Rothbard did not just absorb different theoretical approaches and doctrines at Columbia; he also immersed himself in the study of conflicting economic methods—namely, institutionalism and positivism.

As Rothbard recalled, "Nagel of course had never heard of praxeology at the time, and unfortunately I hadn't either."

Returning to doctrine, Rothbard was thoroughly trained in Keynesian economics at Columbia, where the faculty included both old-style Keynesians along Alvin Hansen–Seymour Harris lines and what Rothbard called the "younger mathematico-Keynesians," such as Albert G. Hart. In addition, Burns, whom Rothbard hailed as a "a brilliant theorist," engaged with Keynesian economics in his courses. Burns criticized Keynesian macroeconomics for inconsistently building on Marshall's microeconomic partial-equilibrium theory of the firm. In an unpublished article written in 1947 for Frank Chodorov's Old Right broadsheet, *analysis*, Rothbard set out the full Keynesian model and then elaborated a Marshallian critique along the lines suggested by Burns.

By the time he completed his coursework at Columbia, then, Rothbard was a well-trained, if somewhat uneasy, neoclassical economist well versed in all the elements of contemporary economic theory and method that would soon coalesce into Samuelson's so-called neoclassical synthesis. This theoretical approach would dominate economics from the mid-1950s until it crashed and burned during the stagflation of the mid-1970s.

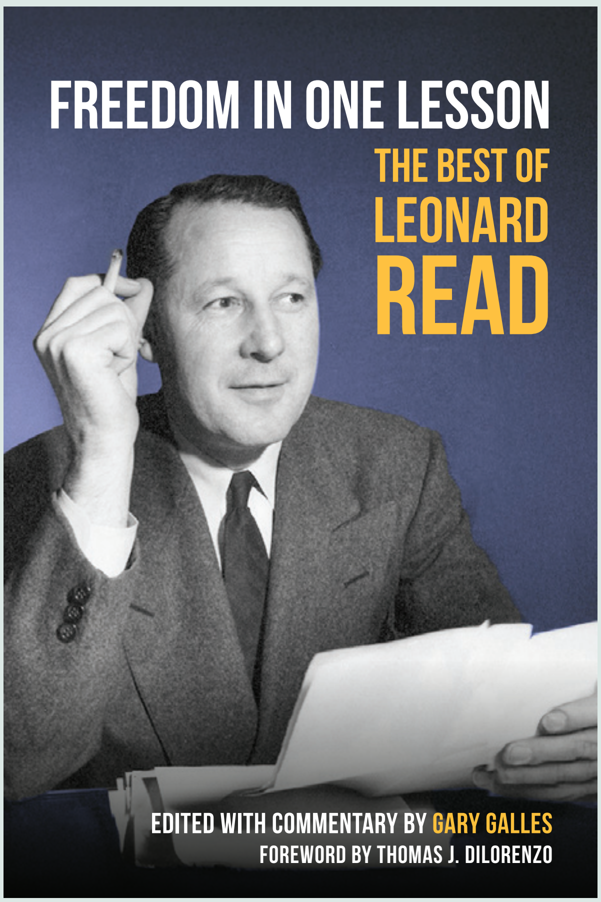
After passing his orals in 1948, Rothbard embarked on his doctoral dissertation. Completed by 1951 and entitled "The Panic of 1819: Reactions and Policies," it was a thorough examination of contemporary opinion on the causes of and remedies for the panic. Although Rothbard amassed a plethora of facts for his dissertation, he refrained from any theoretical investigation. He did not try to empirically test a theory along positivist lines, nor did he seek to discover a new theory in a mass of facts as the institutionalists taught. Burns, a member of Rothbard's committee, was dissatisfied with the dissertation, and his mentor Dorfman deferred to his more formidable colleague. Rothbard's PhD degree was finally awarded in 1956, after Burns departed Columbia for a post in the Eisenhower administration.

Despite learning from distinguished economists at Columbia, Rothbard by his own admission had "never been able to find a comfortable home in economic theory." But Rothbard took a huge intellectual leap forward when he discovered through the Foundation for Economic Education the thought of Ludwig von Mises and read his recently published magnum opus, *Human Action*. Rothbard began regularly attending Mises's weekly seminar at NYU. Before he had even finished Mises's treatise, Rothbard converted to Austrian economics and adopted Mises's praxeological approach to economic theory, which revitalized the deductive method by grounding it in the fundamental fact of human action. At about the same time, Rothbard realized that the limited-government, laissez-faire position was "logically untenable" when he was unable to answer the objection raised by left liberal friends: If people could collectively decide that government should provide police, courts, and military defense, then why couldn't they decide that government should also operate steel mills or dams? Rothbard's epiphany led him to adopt a pure anarcho-capitalist position.

The absurd myth that Rothbard ignored mainstream economic theory in constructing his theoretical system is laid to rest once and for all when his schooling in economics is taken into consideration. Indeed, Rothbard's conversion to praxeology would not have been so swift or complete had he not undergone such intensive and high-level training in the economic methods and theories of the day. On the other hand, despite his intellectual brilliance and his independent recognition that many core doctrines of the orthodox economics of the time were profoundly erroneous, Rothbard would never have developed into the economist he became without his encounter with Mises and *Human Action*. ■

WHY WE NEED TO READ READ

FREEDOM IN ONE LESSON: THE BEST OF LEONARD READ
edited with commentary by Gary Galles
Mises Institute, 2025; xii + 422 pp.



Use this QR code and the Mises Institute gets credit for the purchase of this book.

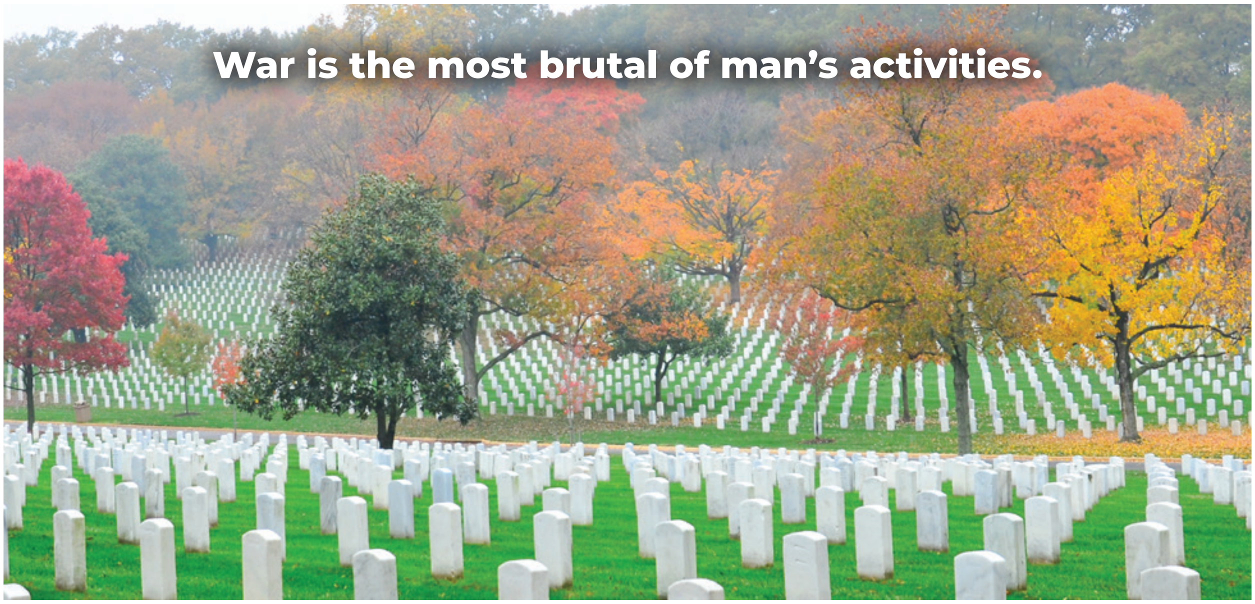
David Gordon is a Senior Fellow at the Mises Institute, Editor of the Mises Review, *and Editor of the* Journal of Libertarian Studies.

We owe a great debt to Gary Galles, a distinguished free market economist who teaches at Pepperdine University, for collecting no less than 97 of Leonard Read's articles, accompanied by a commentary of his own in which he shows their relevance to contemporary issues.

Although Read wrote an enormous amount, mostly in short articles that were sometimes collected into books, his real specialty was oral communication. He traveled the country, speaking mostly to small groups, to spread the freedom philosophy. He did so by dialogue; he was a master of Socratic dialectic, by which laypeople can be drawn to realize that the freedom philosophy is what they believed all along.

What is the freedom philosophy that Read defended throughout many decades? In essence it is simple: Anything that's peaceful is morally legitimate. "If . . . people are allowed to do 'anything that's peaceful,' while government is limited to ensuring that things are peaceful—that is, voluntary—then people can focus on what they really know and, through creative and cooperative efforts, accomplish as much as possible for one another."

As you would expect, Read thought that almost all wars are bad. War interferes with the international division of labor, impeding the free flow of goods by which civilization spreads. If we ask what the difference is between ourselves and people who lived in the Stone Age, the answer does not lie in our superior strength but rather in the buildup of capital over centuries and millennia that war blocks through its destruction.



Read explained this with characteristic eloquence: "War [is] the most brutal of man's activities, [so] anyone who even presumes an interest in economic affairs cannot let the subject of war, or the moral breakdown which underlies it, go untouched. To do so would be as absurd—indeed, as dishonest—as for a cleric to avoid the Commandment 'Thou shalt not steal' simply because his parishioners had legalized and were practicing theft. . . . War is liberty's greatest enemy, and the deadly foe of economic progress. If war is evil there must be a way to avoid it; there must be a rationale, a type of thinking, patterns for living, that lead to peace. These ways cannot be simple, or we would invoke them. They must be difficult to practice, or we would employ them. They are not easily explained, or we would know them."

Read maintained that soldiers must take individual responsibility for their actions, and in his most controversial essay, "Conscience on the Battlefield," he called on soldiers to do so: "The collective! Government and its over-extension! The process of de-personalization! The method that divorces action from conscience! Action and conscience together tend to virtue—apart, action has no anchor! Action and conscience together lead to justice—apart, action becomes indiscriminate! Action and conscience together, and I would not kill—but divorce them, and I become a party to mass killing. Why did I not think of these ideas and their meaning?"

Some people condescendingly think of Read as a mere popularizer, because he was largely self-educated and never studied at a university. But he was in fact a brilliant philosopher who could express profound ideas with great simplicity. As Wittgenstein says twice in the *Tractatus*, "Whatever can be said can be said clearly," a maxim he often failed to observe in his own often-enigmatic though carefully crafted prose.

Friedrich Hayek, surely a competent judge in such matters, deemed Read a major thinker in *What's Past Is Prologue*, a collection of essays honoring Read's 70th birthday: "I believe that what the Foundation for Economic Education, with Leonard Read at its head, and all his co-fighters and friends are committed to is nothing more nor less than *the defense of our civilization against intellectual error*. . . . There is hardly anyone who at the same time sees the great issues of our time as intellectual problems and also is so familiar with the thinking of the practical man that he can put the crucial arguments in a language which is meaningful to the man of the world. If Leonard Read's position is probably unique today, it is precisely because he possesses both faculties. . . . I found not only that he knew much more than most of the rest of us about the opinions governing current policies and was therefore much more effective in meeting the errors in them. . . . But I found also that he was a profound and original thinker who disguised the profundity of his conclusions by putting them into homely everyday language."

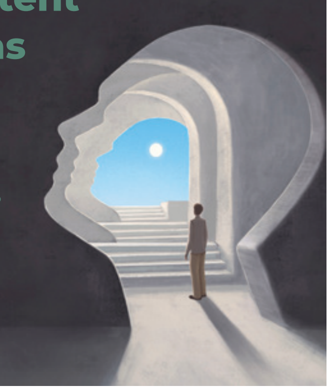
As I read through Read's essays, I was again and again struck by his ability to come up with new insights. One of these was what he called Read's law: A politician who has been elected to office will never reduce the size of government to a greater extent than he has promised in his campaign: "'No politician can fly higher in office than he flew while getting there.' . . . The height to which I aspire is freedom; that is, no restraint against any creative action. In other words, freedom is my idea of high; socialism, statism—call it what you will—is my idea of law. . . . My 'law' [could] be stated something like this: 'No politician, after getting into office, can remove any more restraints against freedom than he promised to remove in his campaign speeches.' . . . Over the years, I have known numerous aspirants for high office who, in private, endorse the freedom philosophy all the way. . . . Later, as I hear or read his campaign speeches, I find nary a word about the socialism he intends to repeal if elected. . . . Then, friends of mine hopefully ask 'What achievements for freedom are you looking forward to from so-and-so?' I respond by repeating Read's Law. . . . My questioners chuckle, reflect on the campaign speeches, and draw their own conclusions. . . . Bear in mind that my claim has to do only with an inability to fly higher, not lower. An officeholder's 'ceiling' is set by his campaign speeches; he can *descend* to any level."

I could go on and on discussing gems by Read, but I'd like to conclude with my favorite: an example of his Socratic dialectic in action. In it, he gets people to accept a key libertarian argument that thinkers from Frédéric Bastiat to the contemporary analytic philosopher Michael Huemer have used: How can it be right for the government to do something that it would be wrong for individuals to do? If, for example, you cannot seize someone's property because you think other people are more deserving, how does it become all right for the government to do so?

Here is Read's Socratic dialogue: "Q—Joe Doakes was lynched. Who did it? A—A mob. Q—Mob is but a label. Of what is it composed? A—Individuals. Q—Then did not each individual in the mob lynch Joe Doakes? A—That would seem to be the case. Q—Very well. Can any individual gain absolution by committing murder in the name of a label, the mob, a collective? A—I guess not. Q—Now that we have established that point, let me pose another question. Do you believe in thievery? A—Of course not. Q—Logically, then, you do not believe that you should use force to take my income to feather your own nest. True or false? A—True. Q—Is the principle changed if two of you gang up on me? A—Not at all. Q—One million? Even a majority? A—Well, perhaps O.K. if a majority does it. Q—Do you mean that might makes right? A—Oh, no. Q—That is what you have just said. Would you care to retract that? A—To be logical, I must. Q—You have now agreed that not even 200 million people or any agency thereof—government, labor unions, educational institutions, business firms, or whatever—have a moral right to feather their nests at the expense of others, that is, to advance their own special interests at taxpayers' expense. You have also admitted that no one gains absolution by acting in the name of a collective. Therefore, is not every member who supports or even condones a wrong collective action just as guilty as if he personally committed the act? A—I have never thought of it that way before, but I now believe you are right."

After reading this book, one can only concur with Mises Institute President Thomas J. DiLorenzo, who says in his foreword, "We finally have the perfect twenty-first-century companion book to *Economics in One Lesson*, written in clear language that Hazlitt himself would admire. In 2023 the Mises Institute gave away one hundred thousand copies of Hazlitt's classic economic primer thanks to our generous donors. Perhaps someday soon a donor will help the Mises Institute give away one hundred thousand copies of *Freedom in One Lesson: The Best of Leonard Read*, a much-needed primer on the philosophy of freedom." I urge everybody who cares about freedom and the free market to read Read. ■

Read's law: A politician who has been elected to office will never reduce the size of government to a greater extent than he has promised in his campaign.



SPOTLIGHT

SUMMER 2025 RESEARCH FELLOWS IN RESIDENCE

One of Murray Rothbard's priorities for the Mises Institute was to create a program that would serve as an academic refuge and incubator for young scholars in Austrian School economics and related fields. That vision led to the creation of our interdisciplinary Research Fellows in Residence program.

For more than 20 years now, our summer-long fellowship program has offered liberty-minded scholars a place to write, study, publish, and develop their contributions to the fields of economics, history, philosophy, and more. Fellows who complete the program return to their colleges and universities with a fuller understanding of the Austrian School and with enhanced prospects for publishing new research and completing their degree programs.

Below you will find brief profiles of this year's cohort of fellows, who come from a variety of backgrounds and programs. *Special thanks to the generous donors who sponsored these student Fellows.*

DAVID BRADY JR.

Florida Southern College
Undergraduate, economics

Research Project:
"Bankrolling the Old Right"

What's your research about?

My research focuses on industrial elites' battles to cartelize their industries during the New Deal and the Roosevelt administration. I am trying to expand Rothbard's *Progressive Era* analysis of how big business influenced government into the New Deal era, and also outline the opposition forces against the New Deal itself.

What does the Mises Fellowship mean to you?

The Fellowship is a great opportunity to surround yourself with those just as passionate as yourself about Austrian economics, revisionist history, and alternative political philosophies. I have been able to really sharpen my research ideas and theories in discussion with the other Fellows.

Sponsored by Jerry T. Dowell.

JARED FRIESEN

Université d'Angers
PhD student, economics

Research Project:
"Marginal Returns and the Length of Production"

What's your research about?

Employed capital goods are subject to the law of diminishing returns: Employing an additional unit of a factor will increase output by a smaller and smaller amount. The same thing is not true of increasing the length of production because this takes advantage of different types of capital goods—complementary factors—facilitating specialization as well as the deepening of the division of labor.

What does the Mises Fellowship mean to you?

The Fellowship provides students with an excellent environment to study and to work on cutting-edge research in the tradition of the Austrian School with the guidance of some of the foremost Austrian scholars working today.

Sponsored by Frank and Sharon Woodul.

MANUEL GARCÍA GOJON

George Mason University
PhD student, economics

Research Project:
"Exchange Rate Dynamics: Monetary Calculation, Price Parity Forecasting, and Currency Regime Resilience"

What's your research about?

My research explores the differences between the Austrian and mainstream theories of exchange rates, analyzes the predictive power of expected price parities, and considers the implications of inflation sterilization for different currency regimes.

What does the Mises Fellowship mean to you?

The Fellowship provides us with the opportunity to develop our research and improve our academic skills in an environment where we can bounce ideas around and receive relevant recommendations, all while enjoying the friendship of the best minds in the liberty movement.

Sponsored by Jerry T. Dowell.

SERGIO DANIEL LOPEZ

George Mason University
PhD student, economics

Research Project: "Informal Markets as Adaptive Systems: Institutional Constraints and Economic Coordination in Bolivia"

What's your research about?

Informal markets are universal, and contrary to popular belief, they are not crime hubs or symptoms of poverty. In Bolivia, informal markets aren't chaos—they're how people choose to interact when the economy is distorted by state intervention. Informal markets emerge as ordinary people escape red tape and corruption, and reject dysfunctional formal institutions. My research shows how these markets operate as bottom-up systems of order that often outperform the formal sector.

What does the Mises Fellowship mean to you?

The Mises Fellowship gives me a rare chance to think deeply, surrounded by the legacy of scholars who challenged the status quo and reshaped how we understand markets and liberty. More than just academic support, the fellowship is a challenge to rise to the level of those who came before and contribute something meaningful of my own. And perhaps most importantly, it's the people: genuine friendships and peers who share a commitment to intellectual honesty and principled ideas. The Fellowship offers a true academic home.

Sponsored by Jerry T. Dowell.

BENJAMIN SEEVERS

West Virginia University
PhD student, economics

Research Project: "Property and Health"

What's your research about?

The field of health economics has an interventionist bent. This project is an attempt to use Austrian and free market insights to understand and evaluate people's health decisions.

What does the Mises Fellowship mean to you?

The Fellowship grants are an invaluable opportunity for a young scholar to conduct research alongside and interact with some of the best contemporary Austrian scholars teaching today.

Sponsored by Frank and Sharon Woodul.

JASON PRIDDLE

Florida State University
PhD students, economics

Research Project: "Money Making Squared—Stablecoins as Private, Denationalized Money"

What's your research about?

Stablecoins, such as Tether and Circle, represent private competition for the US dollar and a key technological innovation that can impact traditional central banking and financial markets.

What does the Mises Fellowship mean to you?

The Fellowship gives me the chance to grow as an Austrian scholar under the guidance of exceptional faculty and with the encouragement of fellow scholars who share my vision of economic and individual freedom.

Sponsored by Frank and Sharon Woodul.

RYAN TURNIPSEED

Oklahoma State University
PhD student, entrepreneurship

Research Project: "The Differences Between Frank Knight and Ludwig von Mises on Uncertainty"

What's your research about?

I am trying to differentiate Mises and Rothbard's view of entrepreneurship as speculative from

Knight's idea that entrepreneurship results from imperfect information. While both sides accept that uncertainty exists because man does not know the future, Knight and his descendants contend that business ventures can be more or less entrepreneurial due to entrepreneurs' having more or less knowledge. However, Austrians know that uncertainty is unquantifiable, which explains why many entrepreneurs who have excellent information and other advantages still fail in their ventures.

What does the Mises Fellowship mean to you?

The academic environment at the Institute is unparalleled, and the quality of the other Fellows and faculty is unmatched.

Sponsored by the Dean and Cam Williams Foundation.

STANISŁAW WÓJTOWICZ

Nicolaus Copernicus University in Toruń, Poland
PhD student, philosophy

Research Project: "The Feasibility of Anarcho-Capitalism"

What's your research about?

Anarcho-capitalism is a libertarian project for a stateless society where private companies would be responsible for providing security, law, and dispute resolution. Radical libertarians support this social order for ethical and economic reasons. They believe it would be more moral than the existing order because it would not infringe upon individual rights and would also be more efficient in economic terms.

But could such a stateless order even exist? How could social order, security, and law be produced without the state?

Although libertarians have given detailed accounts of how anarcho-capitalism could work, a number of economists and philosophers have expressed doubts about the feasibility of such a social order.

The aim of my research project is to analyze these objections and determine the prospects for the success of anarcho-capitalism.

What does the Mises Fellowship mean to you?

There are three reasons why the Fellowship program is so exceptional. First, it gives you the chance to discuss your research with leading Austrian economists. Second, it enables you to network with brilliant young researchers who will undoubtedly become leading Austrian scholars in the near future. Third, it offers an immersive economic experience. For over two months, you can focus entirely on developing your economic skills through individual research and participation in seminars and lectures, free from everyday distractions.

Sponsored by Jerry Dowell.

JONATHAN YEN

Montana State University
Undergraduate, finance and economics

Research Project: "Agency and Entrepreneurship in Capital Markets"

What's your research about?

How do Austrian economists understand asset managers, people who invest other people's money? How is investing in the stock market related to entrepreneurship? What happens in a world where investors can't make contracts that restrict business owners' behavior? Austrian theory has answers to all of these questions.

What does the Mises Fellowship mean to you?

The Mises Fellowship is the opportunity of a lifetime. There is no greater opportunity to engage with the cutting edge of Austrian theory. The more I learn this summer, the more I realize how much I don't know.

Sponsored by the Dean and Cam Williams Foundation. ■

MISES BOOK CLUBS

Fall 2025

Our Mises Book Clubs continue to flourish at universities and colleges across the country, introducing students to the works of Austrian economics and libertarian political philosophy. We support these clubs with books and sometimes a pizza. The clubs have introduced many students to the works of Mises, Rothbard, and Hazlitt, and oftentimes to new ways of looking at the current state of affairs. The book clubs themselves are led by professors, teachers, and other interested and qualified individuals who share a passion for the messages found in these books.

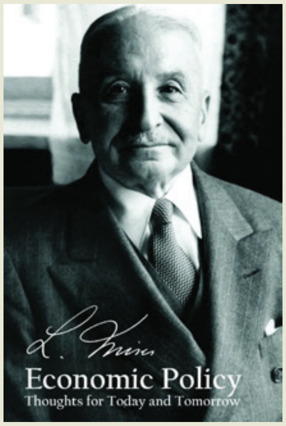
If you are interested in leading a Mises Book Club at your university or college for the spring, it's not too late! Please reach out to Felicia Jones (felicia@mises.org).

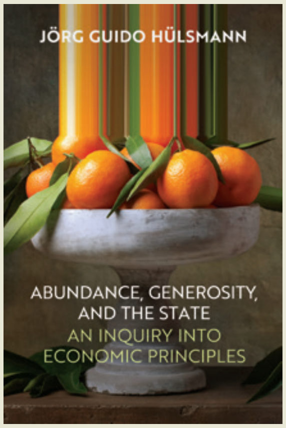
If you are interested in participating in a fall book club, we have two confirmed and another in the process of being organized. These clubs will be reading and discussing Murray Rothbard's *For a New Liberty*. Check mises.org/events for more information.

Penn State Erie, Behrend College
Erie, Pennsylvania
Economic Policy: Thoughts for Today and Tomorrow
Murray N. Rothbard
Contact:
Dr. David F. Dieteman
dfd12@psu.edu

University at Buffalo
Buffalo, New York
Abundance, Generosity, and the State: An Inquiry into Economic Principles
Guido Hülsmann
Contact:
Kyle Sadlocha
kylesadlocha@gmail.com

Special thanks to the Dean and Cam Williams Foundation for sponsoring the Mises Book Clubs.





Mises Virtual Book Club for College Students

A small group of undergraduate students will discuss Mises's *Planning for Freedom and Twelve Other Essays and Addresses* with Dr. Karras Lambert over seven weekly virtual meetings. The first meeting will be on September 2.

Mises Virtual Book Club for High School Students

Join our high school virtual book club as we explore Henry Hazlitt's *Economics in One Lesson*, a classic that reveals how economic decisions impact society in both seen and unseen ways.

Contact Felicia Jones (felicia@mises.org) for more information about the Virtual Mises Book Clubs.

ROTHBARD GRADUATE SEMINAR

Rothbard Graduate Seminar is the training ground for the next generation of scholars in the Austrian tradition. Each year, the Mises Institute faculty guides the participants through one of the tradition's great books, such as Ludwig von Mises's *Human Action* or Murray Rothbard's *Economic Controversies*. The main text this year was Rothbard's economic treatise *Man, Economy, and State*. This year's RGS students also had the exciting opportunity to read an early draft of Joseph Salerno and Patrick Newman's forthcoming book, *Murray N. Rothbard: The Making of a Misesian Economist*, which the Institute will release in 2026.

Salerno and Newman's manuscript proved an excellent companion to *Man, Economy, and State*, as it details the development of Rothbard's thought and shows how his treatise is a culmination and systematization of Misesian economics. As Salerno and Newman note, Mises himself recognized this in his review of *Man, Economy, and State*, calling it "an epochal contribution" and saying that anyone who aspires to study economics must "take full account of the theories and criticisms expounded by Dr. Rothbard."

The weeklong seminar, sponsored by Alice J. Lillie, was attended by 14 students and led by seven Mises Institute faculty members: Tom DiLorenzo, David Gordon, Jeff Herbener, Patrick Newman, Jonathan Newman, Mark Thornton, and Joseph Salerno. The goal of the lectures and discussions was to encourage a deep understanding of Austrian economics and inspire future scholarly work in the Misesian-Rothbardian tradition. ■

OUR NEXT 100,000 BOOK GIVEAWAY: *HAYEK FOR THE 21ST CENTURY*

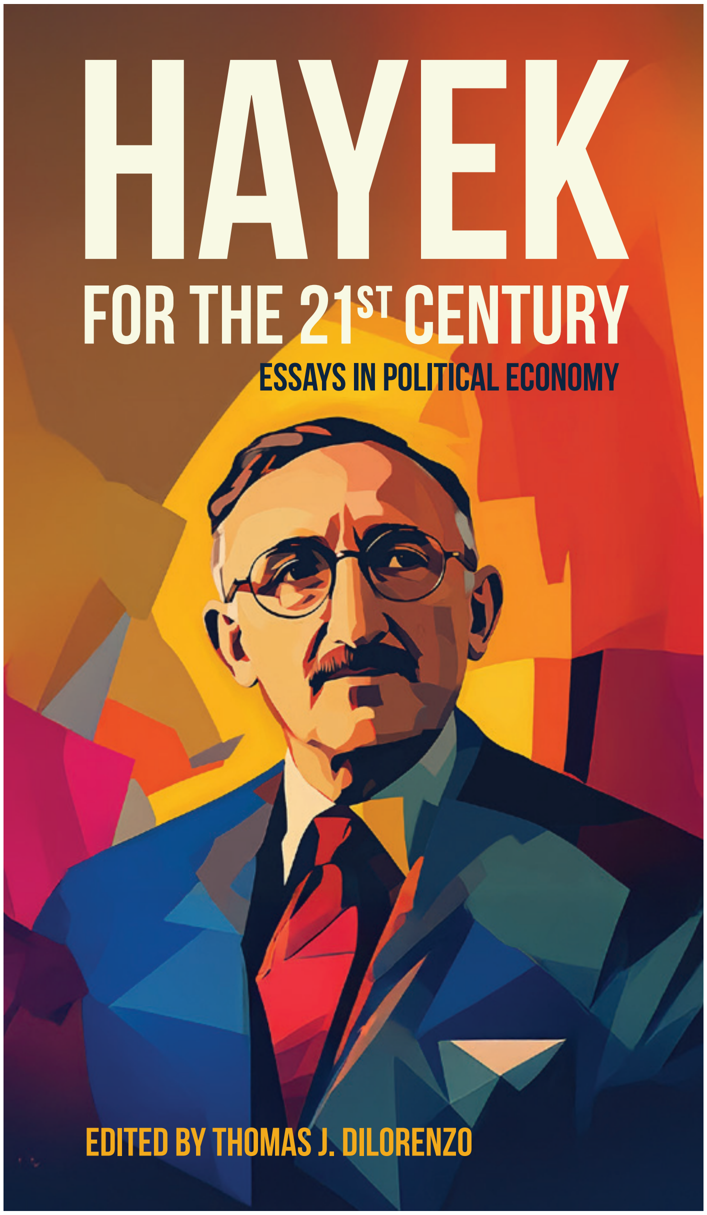
Thanks to the generosity of our donors, the Mises Institute has given away 100,000 copies of Henry Hazlitt's classic *Economics in One Lesson* and 100,000 copies of Murray Rothbard's *What Has Government Done to Our Money*? Impressed by the success of our giveaways, the US Justice Charitable Foundation approached us with a generous offer to finance the publication and distribution of 100,000 copies of a collection of essays by Austrian School economist and Nobel laureate F. A. Hayek, whom Ludwig von Mises described as "one of the great economists" of all time. The vision for this book was to create a primer for the layperson, introducing a new generation of readers to Hayek's writings.

The inspiration for the title of the book came from a February 7, 2000, article by John Cassidy in *The New Yorker*. Cassidy wrote that because of the profound influence of Hayek's writings on socialism, markets, Keynesianism, business cycle theory, free market capitalism, decentralized knowledge in economic decision-making, and more, it was "hardly an exaggeration to refer to the twentieth century as the Hayek century."

But great ideas have no expiration date; hence the title *Hayek for the 21st Century*.

Every one of the seven esssays in this book is directly applicable to understanding *today's* economic and political worlds. Hayek foreshadowed the advent of the internet, cell phones, the digital revolution, and even cryptocurrencies decades before they became available and mass-produced.

Everyone interested in understanding the roots of the ideas that shape our culture and economic landscape should read this collection and pass it along to friends, family members, colleagues, book clubs, and others.



GREAT IDEAS HAVE NO EXPIRATION DATE.

To order your free copies of *Hayek for the 21st Century*, go to mises.org/Hayek21.

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LIBERTARIAN SCHOLARS CONFERENCE 2026

March 19, 2026 | Auburn, AL

AUSTRIAN ECONOMIC RESEARCH CONFERENCE 2026

March 19–21 | Auburn, AL

RESEARCH FELLOWSHIP IN RESIDENCE 2026

Begins May | Auburn, AL

ROTHBARD GRADUATE SEMINAR 2026

June (Dates TBD) | Auburn, AL

Register online at mises.org/events or by phone at 800.636.4737.
Student scholarships are available for all events.

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