

Vol. 2, No. 5 | September–October 2025
a publication of the Mises Institute

MISES UNIVERSITY 2025

Lew Rockwell



FIVE MYTHS ABOUT THE HISTORY OF POLITICAL THOUGHT

Ryan McMaken

AUSTRIAN ECONOMICS IN THE AGE OF MAGA: WHY ECONOMICS MATTERS

Thomas E. Woods, Jr.

THE MISES ESTIMAN

CONTENTS



4 **BOOK GIVEAWAY** *Hayek for the 21st Century*

5 From the Editor

6 **FIVE MYTHS ABOUT THE HISTORY OF POLITICAL THOUGHT** RYAN MCMAKEN

20 **AUSTRIAN ECONOMICS IN THE AGE OF MAGA: WHY ECONOMICS MATTERS** THOMAS E. WOODS, JR.

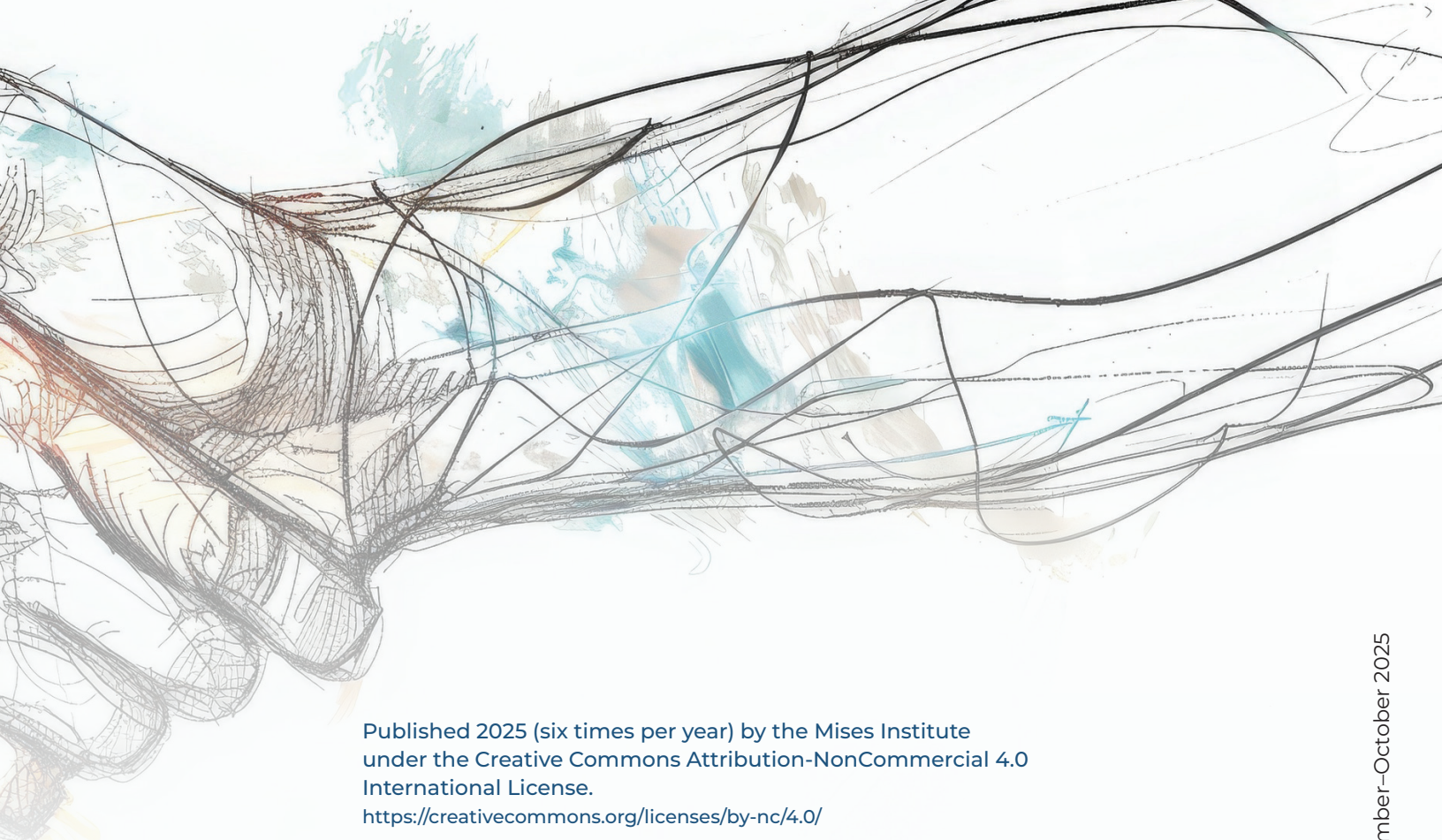
31 Upcoming Events

32 David Gordon Reviews
America's Fatal Leap, 1991–2016
Why We Need Austrian Economics
by Paul W. Schroeder

35 Faculty Spotlight: Paul F. Cwik

38 Mises University 2025

42 Why We Need Austrian Economics
Radio Rothbard Streams Live from
Mises University



Published 2025 (six times per year) by the Mises Institute
under the Creative Commons Attribution-NonCommercial 4.0
International License.
<https://creativecommons.org/licenses/by-nc/4.0/>

Editor

Ryan McMaken

Managing Editor

Judith F. Thommesen

Copyeditor

Daniella Bassi

Design/Layout

Kim Koellsted

Contributing Editors

Tho Bishop

David Gordon

Jonathan Newman

MISES INSTITUTE

518 W. Magnolia Ave., Auburn, AL 36832-4501

334.321.2100 | 800.636.4737 | Fax: 334.321.2119

contact@mises.org | mises.org

The Mises Institute is a nonprofit organization. Contributions are
tax deductible to the full extent of the law.

The Mises Institute is funded entirely by voluntary contributions
from individuals, businesses, and foundations. We do not accept
any government money.

*Note: The views expressed in The Misesian are not necessarily
those of the Mises Institute.*

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

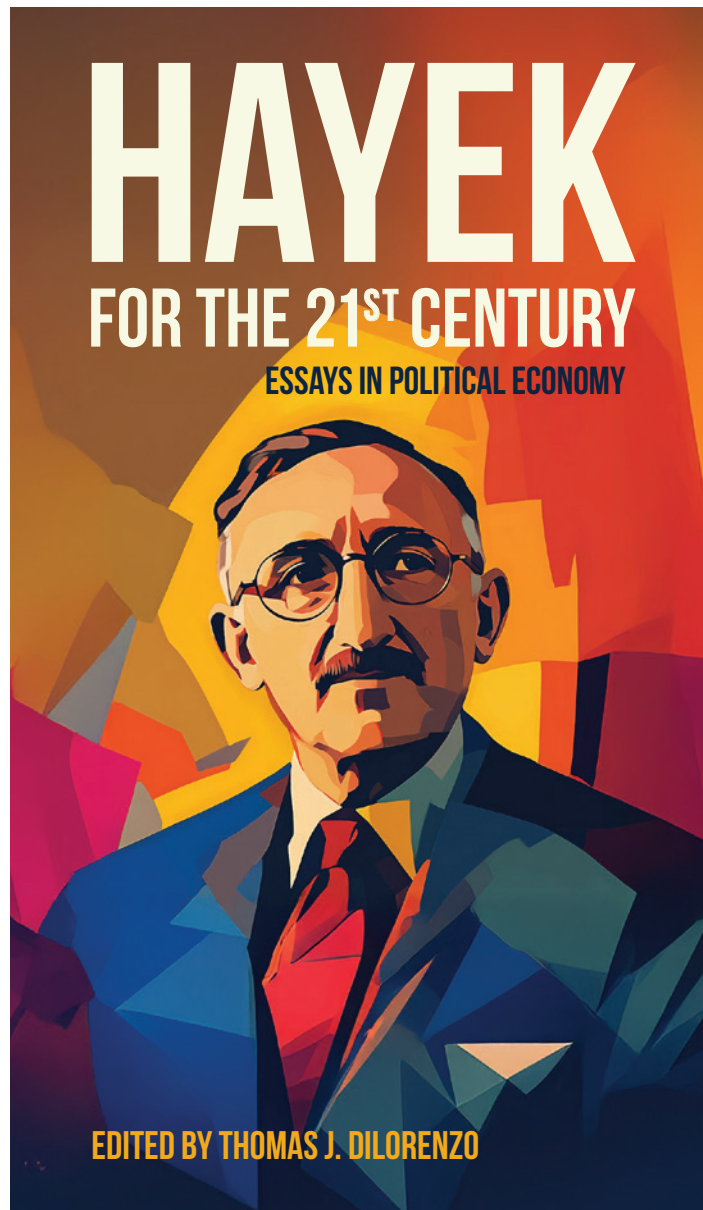
Thanks to the generosity of our donors, the Mises Institute has given away 100,000 copies of Henry Hazlitt's classic *Economics in One Lesson* and 100,000 copies of Murray Rothbard's *What Has Government Done to Our Money?* Impressed by the success of our giveaways, the US Justice Charitable Foundation 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 essays 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.**

From the Editor

Summertime at the Mises Institute is a big deal. Every year from May to August, our top faculty convenes to lead our research fellowship programs and student seminars. The summer ends with our biggest event, Mises University, in which we host more than a hundred college students here at the Mises Institute campus. These young students have the opportunity to spend a full week learning all the basics of Austrian economics, freedom, and peace directly from our senior fellows and other scholars, many of whom are Mises University alumni themselves.

In this issue of *The Misesian*, we want to give readers a sense of what happens at Mises University by featuring lectures and photos from the event, as well as testimonials from students.

Mises University has always been at the heart of what the Mises Institute is. We have always been, first and foremost, an academic institution, providing rigorous instruction for students, and a base of support for scholars and teachers. Students and faculty who are preserving and teaching the message of freedom and free markets often find few friends in “official” academia. Most colleges and universities, whether they are government-owned or private, are recipients of enormous amounts of government money. Not surprisingly, most are now hostile to the idea of laissez-faire and private property.

From the beginning, the Mises Institute has long sought to provide an antidote to this hostility. We protect radical faculty through our support network, allowing them to spread the truth about markets and the truth about the state.

And through Mises University, we provide a refuge for dissident students who seek a serious interpretation of economics, history, international relations, and philosophy that is based on private property and peace.

In this issue, you'll find two lectures from this year's Mises University. In the first, I discuss five major myths about the history of political thought, as described by the great, late historian Ralph Raico, who was a senior fellow at the Mises Institute and taught at Mises University for many years. Raico believed it was important for students to know the history of the freedom movement and to learn to discriminate between good and bad ideas among those who claim to be fighting for freedom. Not all who *claim* to be freedom fighters fit the description.

The second lecture comes from our Senior Fellow Tom Woods, who examines the MAGA movement's criticisms of economists, Federal Reserve policy, and even free markets. Woods shows that adherents of the MAGA movement must learn sound economics if they hope to defend freedom and prosperity.

And, of course, no issue of *The Misesian* would be complete without a book review from David Gordon. David is a freedom fighter using his witty and cunning pen to review books from the lens of a free, private property, and laissez-faire order. In this issue, he tackles *America's Fatal Leap*, a collection of essays by the late historian Paul Schroeder.

To our many generous donors over the years: None of this would be possible without you. ■



RYAN
McMAKEN

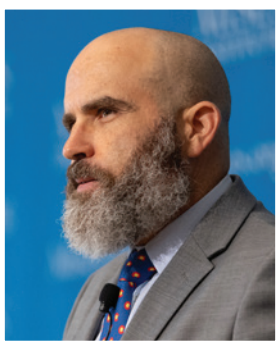
✉ rwmcmaken@mises.org

Ryan McMaken is Executive Editor of mises.org and Editor of *The Misesian*.



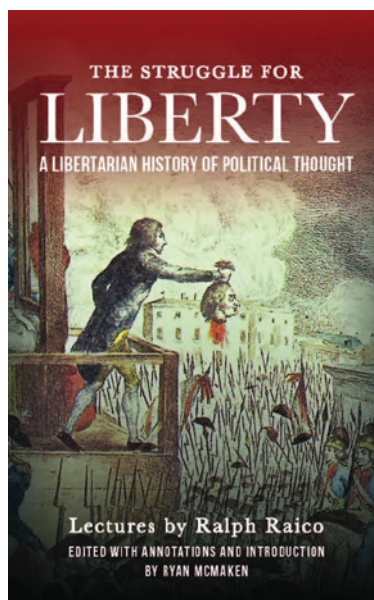
The Grand Canal, by Giovanni Canaletto, 1730. Photograph: Met/Bot / Alamy.

FIVE MYTHS ABOUT THE HISTORY OF Political Thought

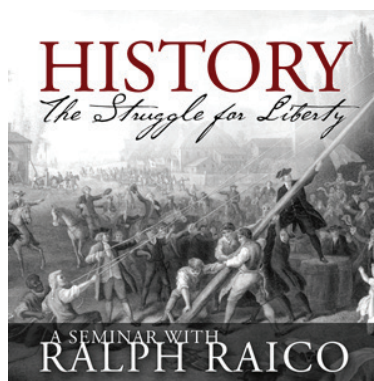


Ryan McMaken

Ryan McMaken is Executive Editor of mises.org and Editor of The Misesian.



Ralph Raico, 1990s.



This article is a transcript of Ryan McMaken's lecture at the 2025 Mises University at the Mises Institute in Auburn, Alabama.

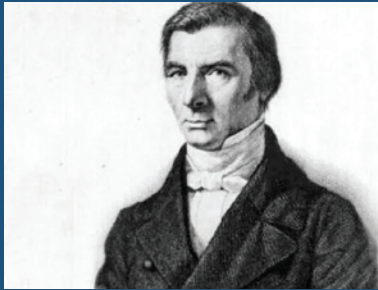
In 2004, the late historian Ralph Raico, a longtime senior fellow at the Mises Institute, presented a ten-hour lecture series here at the Institute on the history of political thought. He called it “History: The Struggle for Liberty” and attempted to present his

students with a concise summary of the more than 400 years of political thought that underlies the political ideology of laissez-faire.

Thanks to the Mises Institute, this lecture series is now available in book form as *The Struggle for Liberty: A Libertarian History of Political Thought*. As editor of this new book, I have extensively annotated the text with bibliographical notes and some commentary on Raico's sources and work. This book is meant to be read somewhat as a companion piece to Murray Rothbard's *An Austrian Perspective on the History of Economic Thought*. If you are looking for a general intellectual history explaining the origins of and ideological support behind the ideas of freedom and free markets, I recommend reading both of these works. Moreover, now that they are a published text, the lectures are much easier to cite in future scholarly research.

Whether you're a scholar or a beginner, you'll find several recurring themes that come through in Raico's narrative, and I'd like to talk to you about five of these today.

Specifically, Raico debunks five common myths about the intellectual history of the ideology of laissez-faire, freedom, and free markets. He approaches the topic as a true advocate



of laissez-faire himself, and as a qualified working historian with expertise in intellectual history. As such, Raico is uniquely qualified to comment on these matters from the point of view of those who actually value the idea of laissez-faire.

What are these five myths?

The first is the idea that the ideology of laissez-faire (which we now call libertarianism) is wholly separate from the movement we now call classical liberalism (which historically has just been known as liberalism). Raico shows this is not the case. The second myth is that Jean-Jacques Rousseau—in the context of the so-called Enlightenment—made important contributions to liberalism. Raico shows that the Enlightenment, *especially* its aspects particular to Rousseau, was not at all critical to the development of liberalism or laissez-faire. The third myth is that we should look to John Stuart Mill as an essential or indispensable theorist of nineteenth-century liberalism. In fact, Mill was, to use Raico's term, a disaster for liberalism, and his views are not representative of the liberal movement. The fourth myth is that liberalism frowns upon the idea of class conflict and class warfare. We're often told today that this idea is from the Marxists. Not so. And finally, the last myth is that constitutionalism will save us. One strain of thought among liberals—but not a definitive one—is that written constitutions will protect freedoms and property. For Raico, the constitutionalist idea is clearly a failure, and the solution lies in the deconstruction of the so-called liberal states, and not in their preservation.

Myth 1: Libertarianism and Classical Liberalism Are Two Different Things

The first myth that Raico addresses is the contention that libertarianism is outside the historical liberal tradition. This idea is employed today by supporters of the status quo and apologists for the world's regimes who posit so-called classical liberalism as eminently moderate and reasonable. They contrast this "moderate" version of liberalism with libertarianism, which is allegedly too modern and radical to be part of the historical

It was the liberals who recognized that there is a fundamental division between the ruling class and the rest of the population, which is exploited by that ruling class.

From top to bottom: Lord Acton, detail of painting by Franz von Lenbach, c. 1879. Photograph: National Portrait Gallery. Frédéric Bastiat, lithograph by Auguste-Hilaire Lévillé, reprinted by Émile Desmazières. Photograph: Bibliothèque nationale de France. Benjamin Constant, detail of painting by Hercule de Roche, c. 1820. Photograph: Musée Carnavalet. Gustave de Molinari, c. 1849–60s. David Hart. Alexis de Tocqueville, painting by Théodore Chassériau, 1850. Photograph: Franck Raux / Château de Versailles. William Leggett, painting by Erastus Salisbury Field, 1835. All images from Wikimedia Commons.

liberal movement. For example, if you see the phrase “classical liberal” in the bio of some political commentator, it’s a fairly safe bet that the person is using the phrase to communicate that he is moderate and reasonable but has some vague free market leanings. It’s a sort of dog whistle for people who like the status quo but maybe want slightly lower taxes or support gay marriage. Raico shows, however, that radicalism is very central to historical liberalism, and that modern libertarians fit well within the ideological spectrum of so-called classical liberalism.

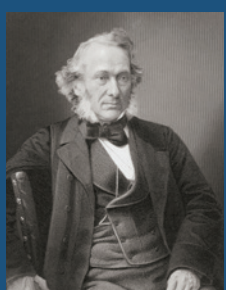
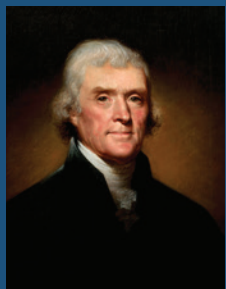
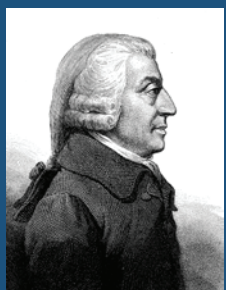
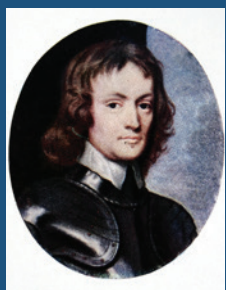
In fact, liberalism as a movement begins in the mid-seventeenth century with the English Levellers. The Levellers were one of the more radical groups of the English Civil War era and were notable for being radical agitators who opposed mercantilist monopolies, limits on freedom of speech, and centralized control of arms. They were not, as some modern conservatives have claimed, some sort of egalitarian group. Rather, the Levellers were

This idea—the idea that there is a realm that is not the state’s—is the essential core of liberalism, or libertarianism. It is about the limiting of state power.

bourgeois middle-class liberals of a type that would be recognizable in the eighteenth and nineteenth centuries. Thus, it is not surprising that Murray Rothbard describes the Levellers, as “the world’s first self-consciously libertarian mass movement.” Raico notes that John Locke was influenced by the Levellers’ libertarian sensibilities, and also points to Rothbard’s characterization of Locke and his patron, the Earl of Shaftesbury, as working out a “‘neo-Leveller’ movement.”

John Lilburne at the pillory, 1638, engraving, c. 1900.
Photograph: M&N / Alamy.





Raico also describes how Locke's radicalism has been downplayed in recent centuries. In truth, Locke was a radical in his own time who was dissatisfied with the tame and moderate nature of the so-called Glorious Revolution of 1688. Importantly, of course, Locke was highly influential with Thomas Jefferson and the American revolutionaries, who were hardly moderates. Raico doesn't spend much time talking about the American revolutionaries—except to say that they were secessionist radicals—but we might note that Rothbard often said that the revolutionary nature of the American Revolution is not properly appreciated and that many American revolutionaries were borderline anarchists. I refer you to volume 4 of Rothbard's *Conceived in Liberty*. This radical strain of liberalism that dominated in the very early United States has, of course, been ignored by those who today support the conservative authoritarian counterrevolution of the nationalists like Alexander Hamilton, John Adams, and the centralizing Federalists.

When making the case that there is no real difference between libertarians and liberals, we might hear the claim from those who don't know better that libertarians are necessarily anarcho-capitalists and therefore did not exist until the modern libertarian movement. This claim fails in two ways. First of all, it's easy enough to show that anarcho-capitalism is hardly the only kind of libertarianism, which is why Raico takes an ecumenical line on this topic. Secondly, even if the claim about libertarians being only anarcho-capitalists were true, it is not the case that such radicals could not be found in, say, the nineteenth century. Surely, modern conservatives and other moderates would find influential liberals like Richard Cobden to be intolerable. Cobden called for unilateral free trade and opposed a standing army. French liberals like Charles Dunoyer and Frédéric Bastiat wanted to abolish the French army. Herbert Spencer promoted anarchism in some phases of his career. And then there was Gustave de Molinari, who wanted to privatize military institutions and pushed for widespread secession and radical decentralization. Molinari was described by Rothbard as the first anarcho-capitalist.

Some modern milquetoast moderates will try and convince you that to be a liberal or "classical liberal" means to be sensible, moderate, a status quo defender of the nation-state. This is an attempt to distract you from the true history of liberalism, which is far more radical than most modern-day conservatives and Beltway libertarians of the Cato Institute variety.

Finally, Raico also delves into the more remote past to find earlier stirrings of the idea of freedom. In this, he draws heavily on Lord Acton—also a great historian of the idea of liberty. Like Acton, Raico looks to late antiquity and the Middle Ages for early contributions to the idea of liberty, from the Spanish Scholastics to Saint Ambrose in the late Roman Empire. Raico quotes Ambrose, who denied that the empire could exercise authority over the property of the church, and stated, "The palace is the Emperor's. The churches are the Bishop's." Raico concludes, "Lord Acton, earlier in his career, had identified [the conflict between church and empire], in his view, as the origin of the idea of liberty; that is, there's a realm that is not the state's."

From top to bottom: John Locke, painting by Michael Dahl, c. 1693. Anthony Ashley Cooper, engraving by Birril reprinted in Horatio Walpole, A Catalogue of Royal and Noble Authors, enl. Thomas Park, vol. 4 (London, 1806). John Lilburne, miniature by Samuel Cooper, c. 1640. Photograph: World History Archive. Adam Smith, engraving, c. 1800. Thomas Jefferson, portrait by Rembrandt Peale, 1800. Richard Cobden, photograph from James Taylor, The Age We Live in: A History of the Nineteenth Century, from the Peace of 1815 to the Present Time, vol. 3 (London, 1888). All images from Alamy.

This idea—the idea that there is a realm that is not the state’s—is the essential core of liberalism, or libertarianism. It is about the *limiting* of state power. Raico opposed countless efforts to complicate this matter. Many later theorists, for example, have tried to make historical liberalism about expressing yourself, or being free from social constraints or discrimination.

Raico dismisses this idea as he dismisses attempts to assign to liberalism certain philosophical characteristics beyond the relationship between state and individual. He states: “Now, it is sometimes maintained that underlying liberalism is a particular philosophical system, in the sense of a particular metaphysics and epistemology. Often, this philosophical system is taken to be British empiricism from John Locke to John Stuart Mill, but I don’t find this satisfactory. There are simply too many divergent and conflicting philosophical traditions within the history of liberalism, from Aristotelianism and Thomism to Kantianism to Empiricism, and so on, for this to be convincing. The working definition of liberalism that I will adopt is this: it is the ideology that holds that civil society—understood as a sum order of society, the sum of the social order minus the state—by

and large runs itself within the bounds of a principle of private property. This is liberalism as I’ll be discussing it here.”

Myth 2: The Enlightenment Paved the Way for Classical Liberalism

Now, Raico’s concise definition of liberalism takes us to the next topic, which is the myth that liberalism’s foundations are found somewhere within the French Enlightenment, or even

Raico more than once expresses doubt that the Enlightenment had much to contribute to the liberal project, and the connection is indeed tenuous.

*Liberty Leading the People, by Eugène Delacroix, 1830.
Photograph: CBW / Alamy.*





A Peasant Holding a Coin, by Joos van Craesbeeck, c. 1605.
Photograph: PIEMAGS / Alamy.

with Jean-Jacques Rousseau. Now, if you've been through an undergraduate class on the history of political thought you have possibly encountered the idea that Rousseau was some sort of protoliberal. It may be that modern theorists get confused by the fact that Rousseau wrote a book about the social contract and think that this had something to do with later liberal constitutionalism.

In any case, some theorists try to make Rousseau out to be a contributor to the liberal tradition. To say the least, Raico does not agree with this assessment. Indeed, it might be said that Raico *loathed* Rousseau, going so far as to say this: "You all know, as sensible people, that the ad hominem argument is invalid. We can't say that somebody's ideas or claims are wrong because of the sort of person that he is. . . . but really we shouldn't make a fetish of this or be overly fanatical. There are some cases where one has to bring in the ad hominem argument. Two cases that I can think of are, obviously, the case of Jean-Jacques Rousseau, and the other is Woodrow Wilson."

Raico is partly joking here, but he's also making the point that some people are so awful that it may be illustrative to point this out when examining their ideas. Rousseau apparently qualifies as such a person.

Raico goes on to describe Rousseau as one of the most destructive political theorists in history, partly because of his terrible ideas, but also partly because he was so influential. Rousseau was perhaps the single most influential theorist in the minds of the worst French radicals of the revolution. Maximillien Robespierre, for example, was a devoted disciple of Rousseau. It should not surprise us, then, that Rousseau was a great enemy of private property, and a de facto supporter of the unlimited state.

In his 1961 *New Individualist Review* article "Benjamin Constant: French Liberal

The most insightful and radical liberals simply state the reality: In the presence of a state organization, there are those who are exploited and those who exploit.

Extraordinaire," Raico puts it this way: "Like Locke, Rousseau had posited an original social contract, but where the English philosopher had attempted to employ this notion as a foundation for civil rights, in Rousseau's conception the contract involved the total surrender by the individual of his life, liberty, and possessions into the hands of the community."

This community was governed by the so-called general will, which was essentially the democratic mass that would control everything. Rousseau seemed to naïvely believe that the general will could somehow be neutrally imposed on the population in a way that reflected everyone's desired outcomes. The very idea is obviously absurd, but Rousseau had a rather unsophisticated understanding of the fact that the policies of the state must ultimately be carried out by a class of bureaucrats and technocrats acting as state agents. In practice, this unsurprisingly took the form of the various French revolutionary dictatorships.

One problem with Rousseau, according to Raico, is that he rejected the idea of natural law and thus respected no natural limitations on state power. Raico notes that Rousseau subscribed to the theory that society could be built and remade at will in accordance with the dreams and theories of a “great lawgiver.” Raico writes: “This is the puerile theory—the idea that a supergenius somehow created a society—that Rousseau and other writers of the French Enlightenment had as to how society comes into existence. Society is instituted by some great lawgiver. Moses instituted the Hebrews, Solon instituted the Greeks, Lycurgus instituted the Spartan people, and so on.”

Yet, bizarrely, we often encounter claims that Rousseau was somehow part of the liberal project. Among the propounders of this myth is even F. A. Hayek, of all people. Raico notes that Hayek liked to denigrate the Continental liberal tradition but that in doing so, he would include nonliberals on his lists of alleged Continental liberals as a way to show how bad the non-British liberals were. Raico says: “There’s a kind of funny game that [Hayek] plays, because in the British tradition he lists not only David Hume, Smith, and Burke, but also Alexis de Tocqueville and Benjamin Constant, who were not exactly British subjects. And among the French, he mentions the physiocrats, the encyclopedists, Jean-Jacques Rousseau, and Henri de Saint-Simon. It’s a peculiar thing, it seems to me, if you’re talking about the liberal tradition, to bring in the French encyclopedists. . . . Some people do consider them liberals, but Denis Diderot and Baron d’Holbach, and so on, were hardly liberal, in my view. *Certainly* not Rousseau.”

Raico more than once expresses doubt that the Enlightenment had much to contribute to the liberal project, and the connection is indeed tenuous. For more on this, we can look to Raico’s 2010 book *The Place of Religion in the Liberal Philosophy of Constant, Tocqueville, and Lord Acton*. Raico approvingly quotes Lord

Acton who says: “All these factions of opinion [in prerevolutionary France] were called Liberal: Montesquieu, because he was an intelligent Tory; Voltaire, because he attacked the clergy; Turgot, as a reformer; Rousseau, as a democrat; Diderot, as a freethinker. The one thing in common to them all is the disregard for liberty.”

We can also find Raico’s aversion to Enlightenment schools of thought in his work on Benjamin Constant. Constant was a highly influential French liberal, and Raico clearly admired his work but notes that Constant’s early exposure to the Enlightenment actually acted as a handicap. Raico writes that there are two key things to remember about Constant’s work: “the fact that Constant began thinking on social problems under the sway of the ideas of the French Enlightenment, and that a good deal of his intellectual career consists of the struggle to free himself from this mental framework.”

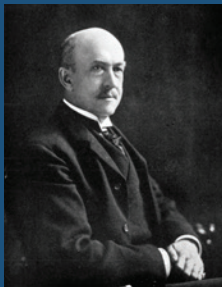
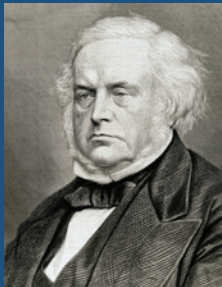
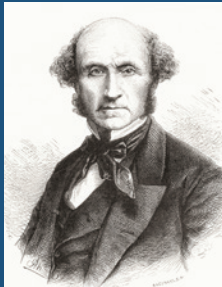
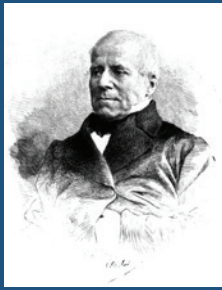
Part of the problem with the Enlightenment, Raico notes, is that it was cynical in the extreme and that the way it manifested itself in society and in discourse was as a regard for everything as something of a joke. There was nothing sacred. There were no higher ideals. All that really mattered was to be thought to be clever. Thus, Raico concludes that Constant, in his bid to overcome his Enlightenment handicap, “conceived of himself as combating a sort of intellectualist madness, which had proved itself to be disastrous for the moral life of France.”

Myth 3: John Stuart Mill Was an Archetypal Liberal

The idea of a degraded moral life brings us to our next topic, which is the unfortunate influence of



Market Scene, by Jan Victors, c. 1650s.
Photograph: Circle Archive/Alamy.



John Stuart Mill. Specifically, the third myth we will address here is this: John Stuart Mill was the quintessential nineteenth-century liberal, central to liberalism as viewed in Europe and America.

Raico points out that this is hardly the case. Yet this myth is central to how political ideas are taught in college. Should one go through a program on political thought at a modern college or university, one will generally encounter John Stuart Mill presented as the most important liberal of the nineteenth century. Not only is this not true—many other theorists were far more important at that time—but Mill's thought actually represents a distraction and a diversion from what have always been the most important aspects of the liberal program.

Raico puts it this way: "John Stuart Mill played a crucial role in the transition from the older liberalism—the laissez-faire liberalism—to the new liberalism [that is, to the modern left-wing ideology that some people call liberalism], a type of democratic socialism."

He continues: "It is, to my mind, a disservice when a typical college course that deals with the history of political thought does this: As an example of eighteenth-century liberalism, they'll maybe have Adam Smith. As an example of nineteenth-century liberalism, they will have John Stuart Mill. . . . To my mind, he occupies a vastly inflated position in the conception of liberalism entertained by English-speaking people."

In fact, Raico describes Mill's contribution to liberalism as "disastrous." Specifically, Mill was bad where it counts the most. He was bad on private property and trade, declaring that "the principle of individual liberty is not involved in the doctrine of free trade." This use of the term "free trade" included both domestic and international trade. Raico also says that "Mill was a disaster in international affairs, where he repudiated the liberal principle of nonintervention." Specifically, Mill took a position similar to today's interventionists who justify various foreign interventions on "humanitarian grounds," or spreading civilization, as Mill saw it.

For most liberals—especially the best, most radical ones, like Bastiat and Cobden and Molinari—the core of the project was peace and freedom from state coercion. Since Mill didn't care much about those things, what was his emphasis? Well, Mill drastically redefined freedom to include freedom from *private* pressures and *private* discrimination. Raico writes: "Liberty, it seems, according to Mill, is a condition that is threatened not only by physical aggression on the part of the state or other institutions or individuals; rather, society often poses even worse dangers to individual freedom. For example, Mill believes society threatens liberty with 'the tyranny of the prevailing opinion and feeling' and the tendency 'to impose by other ways than civil penalties, [society's] own ideas and practices as rules of conduct on those who dissent from them.' Society 'compels all characters to fashion themselves upon the model of its own.'"

This is probably partly why modern left-wing academics—and *Reason* magazine-type libertarians—like to emphasize Mill. He lines up with their modern ideals of social democracy, in which "freedom" means liberating yourself from conventional morality.

From top to bottom: Charles Dunoyer, engraving. St. Ambrose, painting by Matthias Stom, c. 1633–39. John Stuart Mill, engraving from Otto von Leixner, Nuestro siglo—reseña historica (Barcelona, 1883). John Bright, engraving. William Graham Sumner, 1902. Adolphe Blanqui, lithograph reprinted in M. Charles Philippon, Galerie de la Presse, de la littérature et des beaux-arts, 3rd ser., ed. Louis Huart (Paris, 1841). All images from Alamy.

As Raico points out, Mill was no fan of Christian morals, especially hated Catholicism, and attempted to make liberalism into an ideology that would reinforce his personal animosities toward these things. Raico suggests that this results from Mill's personal problems. Mill was a committed adulterer, cavorting with his mistress, who was a married woman, and so he hated that conventional social ideals did not agree with his personal life choices. This seemed to greatly affect Mill, to the point of affecting his whole view of liberalism.

Raico laments that Mill was not French, since *had* he been French, he would have viewed his own degenerate behavior with a shrug and as a personal shortcoming rather than as something to obsess over. Raico writes: "When an individual has 'lifestyle problems,' that's up to the individual, and it's a private matter. That's fine. However, when these problems fuel and provide the basic impetus behind one's political philosophy, then it becomes a problem."

This problem led Mill to erect his own puritanical reverse morality, which condemned anyone who chose to subscribe to a cultural or moral system that Mill did not like. Thus, Mill sat in judgment of those who didn't confirm him in his lifestyle. Mill claimed that anyone who applied social pressure toward any particular cultural end was some sort of enemy of freedom. This attitude deformed his view of liberalism and made him into an opponent of private civil society rather than a fighter against state coercion. Raico concludes: "One wonders also how Mill and his alter ego, Harriet Taylor, could ever have imagined themselves entitled to legislate on the status of members of the Catholic or Orthodox orders, the status of Orthodox Jews, devout Muslims, and of other believers. . . . He was, in the words of Maurice Cowling, 'one of the most censorious of nineteenth-century moralists.' Mill constantly passed judgment on the habits, attitudes, preferences, and moral standards of great numbers of people of whom he knew nothing."

So, let us return now to better liberals who did more to draw our attention to the actual evils of the state. This brings us to the fourth myth.

Myth 4: Class Warfare Was Invented by Marxists

Now, the fourth myth that Raico addresses is that Marxists invented the idea of class warfare or class exploitation. In fact, it was the liberals who did this. Certainly, the Marxists invented

their own *version* of exploitation based on invented categories of economic division. But it was the liberals who recognized that there is a fundamental division between the ruling class and the rest of the population, which is exploited by that ruling class. There is, as John Bright put it in nineteenth-century Britain, the "tax-eating class," and there is the "tax-paying class."

The observers of this process of exploitation by the government class used the term "spoliation." This was frequently used by the great radical Vilfredo Pareto, who had no illusions about the ways that the various parasite classes—such as military officers, government contractors, civil servants, and social benefits recipients—plundered those who are net taxpayers.

Bastiat used the term as well. In the French-language original of *The Law*, we find the phrase "la spoliation légale"—often translated as "legal plunder."

The liberals saw the relationship between the state and its taxpaying subjects as one of exploitation, and as part of a constant struggle between classes. The Italian radicals like Pareto were especially insightful on this, according to Raico, and he writes: "Again and again, [the Italian liberals] excoriate the Italian state for being nothing but a collection of predators, of crooks, of gangsters, of people who in one way or another were stealing money from the productive citizens, working people, small business people, the peasants of the south, and so on. The predators channeled money and privileges to favored clientele, which included not only businessmen who got protection

The attempt to switch over to a liberal-oriented polity via a stronger centralized state led to consolidated national states which quickly set to work undermining liberal gains.

through tariffs—contractors of all kinds—but also unionized workers. In general, it was the North, with the industrialists and their protective tariffs, paying off the unionized workers as well to gain their support. They were preying on the productive citizens of the rest of the country, and especially in the agricultural sector, which was still the main industry in Italy.”

The liberals especially noted that war was one of the most convenient ways for states to exploit the productive classes. The great British liberal John Bright blamed certain economic interests such as “stock-jobbers”—namely, certain “capitalists” who made money from endless government spending on war.

Raico sums up the liberal view of the national-security state: “This was the old liberal view that you could find in Kant and Condorcet and Paine, the industrial school, and many others: that it was the classes associated with the old order who fomented war. The classes of the producers would tend to want to avoid war. In mid-nineteenth-century England, these tax-eating classes that favored war were, in their view, the aristocracy—with its ramified sinecures in the army—the navy, the foreign office in colonial bureaucracy, the established Church of England, and, to a lesser degree, certain capitalist groups wishing to spread foreign trade with the backing of English military and political power, as with the Opium Wars against China.”

This is an important thing to note. The liberals of this period were not fooled into thinking that just because some corporation or group was ostensibly private, it was part of the productive classes. After all, so-called private interests—i.e., bankers and producers of weapons—were often the most enthusiastic about exploiting the hapless taxpayers.

Americans were not blind to this either. It is among America’s most radical liberals, such as the great Northern Jacksonian William Leggett and William Graham Sumner, where we find some of the most insightful opposition to legal plunder as something encouraged by alleged private industry. Chief among the exploiters were the bankers. This is why Leggett often called for the “separation of bank and state” and why Sumner coined the words “plutocrat” and “plutocracy.” These words were devised to condemn not the wealthy in general, but only those wealthy classes who used their influence over the state to enrich themselves and exploit the actual productive members of society.

Raico concludes that since the state itself will judge what can be allowed legally and constitutionally, the only answer lies outside what states will consider to be legal. Specifically, secession and the deconstruction of the state.

Much of this exploitation played out behind the scenes, of course, and as a comment on the private special interests, Raico quotes Cobden, who says: “It would seem as if there were some unseen power behind the Government, always able, unless held in check by an agitation in the country, to help itself to a portion of the national savings, limited only by the taxable patience of the public.”

This relationship was put much more simply by Pareto, who said that there is the class that rules and the class that is ruled. The liberals were not fooled by amorphous claims about the so-called common good. Rather, the most insightful and radical liberals simply state the reality: In the presence of a state organization, there are those who are exploited and those who exploit.

The Marxists could only poach this idea and modify it to suit their own, misguided version of things. And lest there be any doubt about this, Raico points out that the first lines of Karl Marx and Friedrich Engels’s *The Communist Manifesto*, published in 1848, go like this: “The history of all hitherto existing society is a history of class struggles. Freeman and slave, patrician and plebeian, lord and serf, yield master and journeyman, in a word, oppressor and oppressed stood in constant opposition to one another.”

Raico then points out that nine years earlier, in 1837, Adolphe Blanqui, a member of the French liberal school and a protégé of Jean-Baptiste Say, wrote this: “In all the revolutions, there have always been but two parties opposing each other, that of the people who wish to live by their own labor and that of those who would live by the labor of others. Patricians and plebeians, slaves and freemen, Guelphs and Ghibellines, red roses and



Company Making Music, by Jan Miense Molenaer, 1630. Photograph: Circle Archive / Alamy.

white roses, cavaliers and round heads, liberals and serviles are only varieties of the same species.”

For Raico, it is clear that Marx was influenced by Blanqui’s words and expropriated them. And perhaps it was Blanqui who best summarized the liberal view of class conflict when he wrote: “So, in one country, the fruit of labor is taken from the workman by taxes, under pretense of the welfare of the state; in another, by privileges, declaring labor a royal concession, and making one pay dearly for the right to devote himself to it.”

As Raico notes, “This is done through the guilds, for instance, or government monopolies.” Blanqui continues: “The same abuse is reproduced under forms more indirect, but not less oppressive, when, by means of custom-duties, the state shares with the privileged industries the benefits of the taxes imposed on non-privileged classes.”

Myth 5: Constitutionalism Will Save Us

This brings us to the fifth and final myth we’ll address today: that written constitutions can save us.

Since the eighteenth and nineteenth centuries part of the liberal project has been to design and put into place written constitutions.

Constitutions are not core to the idea of liberalism, of course. They are a *tactic* rather than a core tenet of the ideology. Similarly, universal suffrage has been a tactic employed by classical liberals but is hardly central to the liberal idea

that society can run itself and that state power ought to be strictly limited.

The constitutionalist idea has long been part of the liberal program, but Raico believes that it has failed. It has failed precisely because the constitutionalists have tended to believe that centralized national political power is acceptable, or can be made benign, so long as it is theoretically limited by written constitutions.

This view of the state as potentially neutral, or perhaps even useful, in bringing about liberal ends was perhaps the greatest fatal flaw in the liberal political movement. Raico notes that this naive view of the state led liberals to actually *increase* state power as a means of bringing about liberal ends. In this view, Raico may have been influenced by Jörg Guido Hülsmann, who in his 2003 essay “Secession and the Production of Defense” describes the liberals’ mistake this way: “To get rid of aristocratic privileges, the classical liberals first supported the king against the lesser aristocrats, and then concentrated further powers in the democratic central state to fight all regional and local forms of monarchism and aristocracy. Rather than curbing political power, they merely shifted and centralized it, creating even more powerful political institutions than those they were trying to supersede.”

In other words, the liberals made the mistake of increasing state power to abolish the old impediments to liberalism. This was excused and

justified on the grounds that written constitutions would be employed to ensure that the state would be restrained from violating rights.

This proved to be a misplaced hope. Some of the more clever French liberals, in particular, saw the mistake almost immediately, and Raico notes that once the old regime was swept away, the problem of the modern centralized state came into view. He writes in “Benjamin Constant: French Liberal Extraordinaire”: “The focus of all threats to individual freedom became the government itself. The Church, nobility, guilds and other corporations that, endowed with coercive privilege, had vexed the free functioning of men, left the stage, and across the gap created by their disappearance the individual and the state, for the first time, stood alone facing each other. And now the liberals’ attitude toward the state underwent a change. Where previous French liberals had seen [in the state] a potential instrument for the establishment of liberty, and one that might at times even safely be used for the realization of certain ‘philosophical’ values, writers like Constant started to see a collection of standing threats to individual freedom: government is ‘the natural enemy of liberty;’ ministers, of whatever party, are, by nature, ‘the eternal adversaries of freedom of the press;’ governments will always look on war as ‘a means of increasing their authority.’ Thus, with Constant, the chief articulator of his generation’s liberal ideals, we see the beginnings of classical liberalism’s ‘state hatred,’ which, after

the eighteenth century’s ambiguous attitude, marks its theory to the present day.”

But much damage had already been done. The attempt to switch over to a liberal-oriented polity via a stronger centralized state led to consolidated national states which quickly set to work undermining liberal gains. In the United States, which implemented perhaps the most liberal national constitution, for example, the situation almost immediately began to unravel. The initial highly liberal constitution was soon replaced by one that was much more centralist. Then, the supporters of more consolidated national power set to work centralizing power even more.

Raico writes that the American Bill of Rights was “a heroic attempt to limit government, but very quickly the Hamiltonian and then the Whig tradition arose in America to expand the powers of the national government. Very quickly also, the national government’s own Supreme Court set itself up as the ultimate arbiter of the Constitution and interpreter of the Constitution. That’s very dangerous. What could be a protection against this? What could be a protection against a national government doing all kinds of things in the economy—protective tariffs, so-called internal improvements, pork for their contractor friends in the railroads, and printing money—that it forces on the people? What could prevent the federal government from doing that? . . . Now there seems to be no limit—no institutional limit, no theoretical limit—to what the national government can do. You say, ‘Well, we still have the Bill of Rights.’ Well, we have the Bill of Rights, but the Bill of Rights has to be *interpreted*. It’s interpreted by the federal Supreme Court.”

That is, once the federal courts agree with the antiliberal forces promoting centralization, there is no amount of centralization and state growth that will be deemed illegal or contrary to the constitution. This is because legal solutions to despotism, such as written constitutions, do not suffice to constrain state power. Constant, for instance, understood that “all the constitutions which have been given to France have equally accorded individual liberty, and under the empire of these constitutions, individual liberty has been ceaselessly violated. The point is that a simple declaration does not suffice. What is required are positive safeguards; what is required are bodies powerful enough to employ in favor of



"Union Envelopes": A Secession Movement—Riding Jackass Backwards, 1860s. Illustration: Niday Picture Library / Alamy.



The Merry Family, by Jan Steen, 1686. Photograph: Kate Kimber / Alamy.

the oppressed the means of defense sanctioned by the law."

So, what is the solution to this? Raico concludes that since the state itself will judge what can be allowed legally and constitutionally, the only answer lies outside what states will consider to be legal. Specifically, secession and the deconstruction of the state. He writes: "It's very clear that there is no way of salvaging 'limited government.' It's simply going to be getting worse and worse, so our *more direct and immediate aim* has to be to destroy the centralized state, to do away with the centralized state in stages."

The strategy he offers here is secession and the deconstruction of the state, which undoes the earlier liberal tactic of centralization under a constitution. Raico, of course, views secession as a well-established and morally licit means of breaking down state power. He notes throughout his book the salutary effects of the secession movement that led to the creation of the Dutch republic in the sixteenth century, for example, as well as the laudable secession of the Americans during the revolution.

Secession's liberal pedigree is further backed by Gustav de Molinari in France and by William Leggett in New York, who repeatedly held that the dissolution of the United States might be necessary to free the nonslave states from the scourge of legalized slavery. And liberals also

supported a variety of movements in the name of national liberation, such as the secession of Hungary from the Austrian Empire.

Generally, though, secession and the deconstruction of the state is maintained by the national states themselves to be unconstitutional. Even where secession might be theoretically legal, the powers that control the state are likely to deem secession illegal and unconstitutional in practice. We have seen this play out over and over again whenever states are confronted with the possibility of dismemberment. This simply proves Raico's point, of course, that should anything significantly challenge the power of the state—including any ostensible liberal state—then the option will be cut off, and constitutionalism ultimately ends in little more than legal interpretations that protect the state itself.

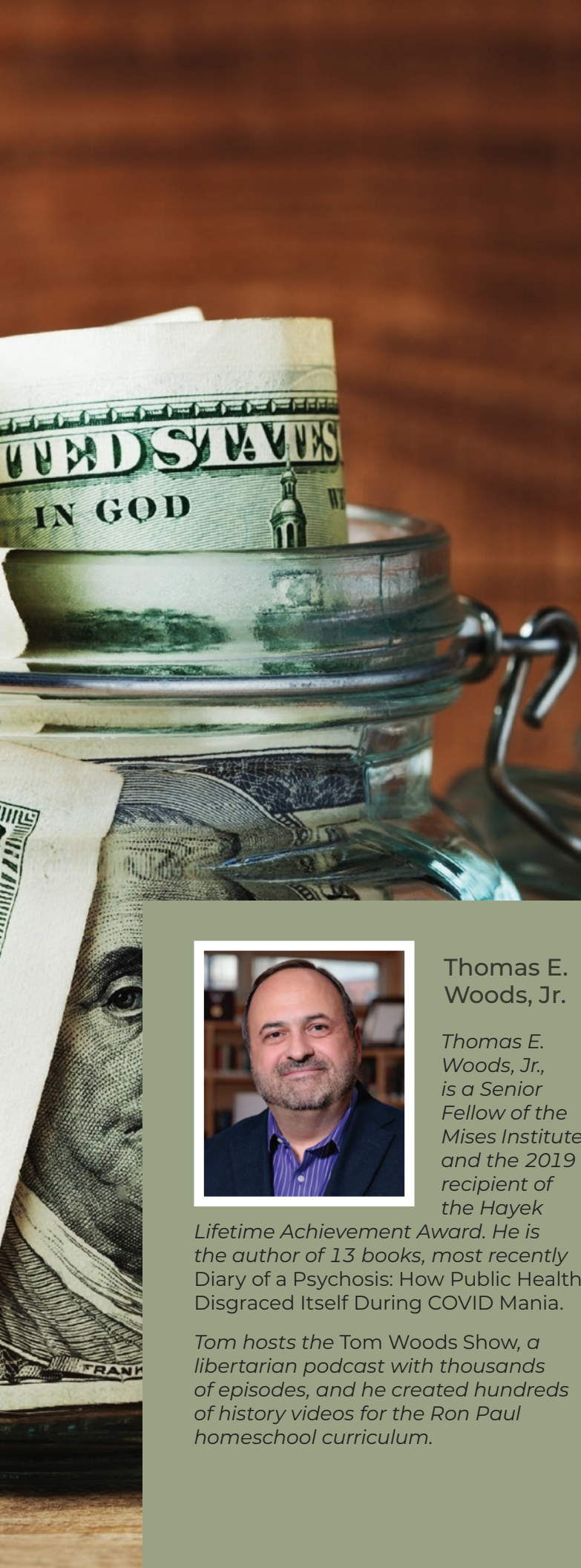
I think Raico is correct here. Constitutionalism simply is not a realistic avenue to the protection of the rights that classical liberals advocated for. Thus, in practice the constitutionalist aspects of liberalism have failed.

One will encounter many other insights and topics in Raico's history of political thought, and in his works overall. But here I've tried to show some of the more prominent themes in his work. Naturally, I encourage you all to read and study Raico's work for yourselves. ■

AUSTRIAN
ECONOMICS
IN THE AGE
OF MAGA:
**WHY
ECONOMICS
MATTERS**

The Misesian | Vol. 2, No. 5 | September–October 2025





We don't hear about favorite economists, favorite books we ought to read. Some people will say that's a good thing. We've had enough of you nerds, you poindexters out there. Now we need men of action. But if the men of action don't know what action to take because they didn't read *Human Action*, it's a problem.

This article is a transcript of Tom Woods's opening lecture at the 2025 Mises University at the Mises Institute in Auburn, Alabama.

I want to start off by saying a little something about the Ron Paul movement before I get into our present moment. There are many things we could say about the Ron Paul movement and the Ron Paul presidential campaigns, which virtually all of you were too young to have been a part of. But I'm telling you, it was really an extraordinary thing to witness up close and live. One distinguishing feature of that movement was that it was very economics focused.

Dr. Paul had many things to say about a great many topics, foreign policy chief among them. But Dr. Paul had favorite economists. He had favorite books that he had read, that he recommended that other people read, and they did. I distinctly recall being here at the Mises Institute when the website broke down after it was announced that they had X number of copies of *Human Action* left over at such and such price. Now that is a world I want to live in. The website broke down because so many people wanted to buy a 900-page book. And it was a book that they probably wouldn't have read if Ron Paul hadn't urged them to read it.



Thomas E. Woods, Jr.

Thomas E. Woods, Jr., is a Senior Fellow of the Mises Institute and the 2019 recipient of the Hayek

*Lifetime Achievement Award. He is the author of 13 books, most recently *Diary of a Psychosis: How Public Health Disgraced Itself During COVID Mania*.*

Tom hosts the Tom Woods Show, a libertarian podcast with thousands of episodes, and he created hundreds of history videos for the Ron Paul homeschool curriculum.

That's not to say that everybody in the Ron Paul movement was a bookworm. The point is that these books have ideas that can change the world in ways we would all like to see. But they can't do that if we don't read them. So reading and learning, but also being an activist, conveying these ideas in a popular way to other people, all of these things existed side by side in the Ron Paul movement.

Now let's fast-forward to the MAGA movement. It's not so much driven by economics, even though there are economic issues at stake (that is to say, tariffs and other matters like that). But we don't hear about favorite economists, favorite books we ought to read. Some people will say that's a good thing. "We've had enough of you nerds, you poindexters out there. Now we need men of action." But if the men of action don't know what action to take because they didn't read *Human Action*, it's a problem. Simply doing things is not enough. That, of course, is the problem we run into all the time, is that governments feel like as long as they're doing something, that's good. That's better than nothing. But a lot of times when they do something, it's not better than nothing. Nothing would have been better. Doing nothing would have been better than that.

Over the past several years, I've started to observe a number of influencers on the political right wing disparaging economics per se: Economics is a sham science, was invented to rationalize greed, or is a discipline that only superficial people care about because "Don't you understand we have much more important existential issues at stake in America today, involving culture, nationality, an epidemic of youth hopelessness, and so on?" They accuse economists of thinking only about whether a single number, GDP, goes up or down. You see that sometimes on social media: "Line go up," because that's what they think economists think, because they don't read any economists, unfortunately.

We're all very used to dealing with left-wing critiques of the market economy. I really would like to just go back to that, because that's just so much more fun. I already know how to answer the left-wing critiques really easily. That's a muscle I have flexed many times over the years. I know what their arguments are. We're very familiar with that. But this critique that's coming from the traditionalist right is a bit different. It sees the free market as an outgrowth of the

wicked Enlightenment rationalism that reduces men to mere atoms stripped of social identities and conceives of man as being solely concerned with acquiring material goods. I dealt with the Catholic version of this critique in my book *The Church and the Market*. (Since Joe's talking about people's ages, I'll just say that the tenth anniversary edition of the book is celebrating its own tenth anniversary this year. It's very sad, good in a way and sad in a way.)

We might call these people traditionalists. They have a different critique from the kind of critique that, let's say, Alexandria Ocasio-Cortez might have. They will say things like, "What you economists call economic laws, these are just phantoms. We should feel free to disregard these artificial constructs because if we desire some social outcome, no so-called economic law should stand in our way." Again, they emphasize that there's more to life than a higher GDP.

For starters, I am very happy to put their minds at ease about our alleged obsession with GDP. As a matter of fact, those of us in this room have perhaps had more to say than anyone about the shortcomings of GDP as a measure even of economic health. If what you want is a summation of the value of all the final goods produced in the economy during the year, then I suppose that number is helpful to you. But if you're looking for an overall picture of the economy, it's misleading for at least two major reasons.

But this critique that's coming from the traditionalist right is a bit different. It sees the free market as an outgrowth of the wicked Enlightenment rationalism that reduces men to mere atoms stripped of social identities and conceives of man as being solely concerned with acquiring material goods.



First, it includes both government expenditure and private expenditure. Private transactions, because they're voluntary, presumably benefit both parties or they wouldn't have occurred in the first place. But since government transactions are financed via coercive transfers of wealth, there's no way of knowing whether and to what extent people value the goods in question. The money to finance the goods was simply seized from them. I don't think I'm alone, for example, in thinking that I derive negative benefit from the military expenditures that are financed by coerced wealth transfers from me.

Second, by focusing on final goods only and insisting that including intermediate goods would be double counting, GDP leaves out a major portion of economic activity and contributes to the false impression that consumption drives the economy. We should already know that consumption can't drive the economy because using things up is easy. Anyone can do that. Just using things up can't possibly drive the economy. But GDP looks only at things like cars and phones, the products we buy, and it ignores the steps and the materials that it took to make them. When you pass over all of that, you miss a central part of what keeps the economy going. Businesses spend an enormous amount on things like raw materials, manufacturing, supply chains. These expenditures amount to nearly twice as much as what people spend as consumers. All this is obscured by GDP.

The traditionalist critique of economists is that we allegedly subordinate everything to economic efficiency. All we care about is economic efficiency. Then traditionalists triumphantly point out that there is more to life than economic efficiency. Checkmate, economists.

I could point out that Murray Rothbard wrote an essay called "The Myth of Efficiency" (1979), and we can have a long conversation about that. But I think I'd rather say, first of all, that it's not obvious to me why, whatever your goals are, you wouldn't rather be efficient than inefficient in

achieving them. It reminds me of people who look down their noses at business firms because they operate on the basis of profits. Would you rather that they operate on the basis of losses? I don't even understand what the criticism is. More to the point, Rothbard expressly ruled out efficiency as a criterion for deciding on policy. He wrote, "Only *ethical principles* can serve as criteria for our decisions. Efficiency can never serve as the basis for ethics; on the contrary, ethics must be the guide and touchstone for any consideration of efficiency. Ethics is the primary." In the field of law and public policy, the primary ethical consideration is the concept that dare not speak its name: the concept of justice.

If you'd like to see a school of thought that does prioritize abstract efficiency over justice and property rights, I refer you to the classic case in Chicago School law and economics, famously described by Ronald Coase—namely, the train that emits sparks that set fire to a farmer's crops. (This was before the introduction of the diesel engine.) Somebody's going to have to bear the cost of this damage—either the farmer or the railroad. It's going to be one or the other. On the basis of strict liability, the farmer has the right to the property in question, so he has the right to enjoy its fruits undisturbed. The railroad should compensate him for the loss or install some kind of spark-retarding device. That's how economists of the Austrian School have generally adjudicated this matter. But the Chicago School decides this case on the basis of pure economic efficiency: The judge should decide the case in such a way that overall wealth is maximized. So, okay, traditionalists, you have a point, but go get *those* people. We're not to blame for that. We don't think that way.

The economists, we are further told, believe everybody strives only to maximize their monetary income. What a bunch of dumb dumbs those economists are. Don't they know that people are motivated by other things? What I want to say is whenever you make an argument



against somebody and it sounds that dumb, you're probably not stating it correctly. There really isn't anybody—probably not even C. Montgomery Burns—who thinks that way. I'm sure there are a few other things that delight him more than simply the acquisition of monetary wealth. So, we don't need to be lectured about these obvious facts of human nature. Of course people have motivations other than maximizing their monetary income. Austrian economics is concerned with action as such, not simply action that is narrowly focused on maximizing monetary income. The income that we say human beings are striving to maximize is psychic income, which consists of all the variables whose symbiotic relation constitutes the person's sense of their own well-being. As Ludwig von Mises put it, "Economics deals with the real actions of real men. Its theorems refer neither to ideal nor to perfect men, neither to the phantom of a fabulous economic man . . . , nor to the statistical notion of an average man."

Still another accusation is that economists think of human beings as isolated, interchangeable atoms with no bonds holding them together except those of the cash nexus. But in "Nations by Consent" (1994), Murray Rothbard himself denied that individuals are "bound to each other only by the nexus of market exchange." Rothbard said further, "Everyone is necessarily born into a family, a language, and a culture. Every person is born into one or several overlapping communities, usually including an ethnic group, with specific values, cultures, religious beliefs, and traditions." These are the sorts of things economists are said to leave out.

Let it suffice to say that Ludwig von Mises appreciated concerns about mass migration, allegedly neglected by atomistic libertarians.

As he wrote in *Liberalism* in 1927, for example, "If Australia is thrown open to immigration, it can be assumed with great probability that its population would in a few years consist of Japanese, Chinese, and Malaysians. . . . The entire nation is unanimous, however, in fearing inundation by foreigners. The present inhabitants of those favored lands [he means the US and Australia] fear that some day they could be reduced to a minority in their own country and that they would then have to suffer all horrors of national persecution to which, for instance, the Germans today are exposed in Czechoslovakia, Italy, and Poland." Mises continues, "As long as the state is granted the vast powers which it has today and which public opinion considers to be its right, the thought of having to live in a state whose government is in the hands of members of a foreign nationality is positively terrifying."

Instead of being obsessed with GDP, we are told, we should concern ourselves with the material well-being of families, with drug and alcohol abuse, with family harmony, with healthy social life, with families staying together, and so on. Obviously, no single discipline can solve all these problems, but economics can improve every single one of them. Long-term unemployment, for example, can cause or intensify every single problem I just listed. It so happens that the economists have a whole toolkit. They have a great deal to say about how to minimize unemployment, including the particularly debilitating long-term variety.

For example, in the *Journal of Applied Psychology*, Francis McKee Ryan and colleagues surveyed 104 empirical studies and found the unemployed to have lower physical and mental well-being than their employed counterparts. David Relfs and colleagues estimated in *Social Science and Medicine* that unemployment

increases mortality risk by 63 percent. Further research into the collateral effects of unemployment found that job loss doubled the risk of myocardial infarction, heart attack, and stroke among older workers.

A 50 to 100 percent increase in mortality was evident the year after displacement, with a 10 to 15 percent elevated mortality risk persisting for 20 years. Displaced workers were less likely to participate in church groups, community organizations, or informal social gatherings. Long-term unemployment increases risks of alcohol and drug misuse, with unemployed people 1.3 to 2.0 times more likely to develop substance abuse disorders.

Studies have shown significantly higher levels of friction with spouses and children among unemployed men. US data shows that chronic unemployment correlates with a 15 to 20 percent higher incidence of opioid misuse compared to employed peers. In the US, layoffs can increase the chances of divorce by up to 20 percent. A similar study found that in Sweden, the likelihood increased by 13 to 18 percent, while in Australia, spouses were 10 to 15 percent more likely to separate within two years. Naturally, we witnessed a significant spike in all these problems during the displacements brought about by the covid fiasco.

If we want to minimize recessions and depressions, and by extension, the unemployment that comes in their wake and carries with it all these subsidiary problems that I just mentioned, well, it might help to learn some monetary economics, particularly the monetary economics that won F. A. Hayek the Nobel Prize in 1974. You might say, “Oh, but there are Nobel Prize winners in economics who say a lot of loopy things.” That’s true, but they’re saying things that generally the Nobel committee wants to hear. Hayek was not saying something that they wanted to hear. That’s what makes his prize significant. So Hayek demonstrated that system-wide downturns, as opposed to sector-specific declines driven by events in the news, have a monetary cause. If we want to avoid the disruptions to family life, to the things the traditionalists care about, and the various dysfunctions that accompany unemployment, we need to focus our attention on the central bank—in the American case, the Federal Reserve System.

I suspect people in this room are already familiar with what we refer to as the Austrian theory

Austrian economics is concerned with action as such, not simply action that is narrowly focused on maximizing monetary income. The income that we say human beings are striving to maximize is psychic income, which consists of all the variables whose symbiotic relation constitutes the person’s sense of their own well-being.

of the business cycle. I’ve written and spoken about it quite a bit, and you’ll be learning about it this week in some detail. It can suffice for the purposes of our opening remarks tonight to say simply that interest rates are real and meaningful and not fake or arbitrary. To think that pushing them down artificially via credit expansion is a way we can generate prosperity without effort is a gross error—the kind of error I would expect to hear from the Left. Lowering interest rates by credit expansion, which in the present situation takes place via the Fed, generates a boom that’s a self-reversal. Malinvestments that grow out of the confusion introduced by the arbitrary interest rates sooner or later have to be liquidated. So if you don’t want to endure episodes of boom and bust, a cyclical up and down that only mimics real prosperity, we need to let the natural array of prices, including the interest rate, dominate so prosperity can continue unimpeded by this series of malinvestments and liquidations.

Some MAGA people have at least a rudimentary understanding of the problems with the Fed. But others think the problem is that Fed Chair Jerome Powell is too stingy about lowering interest rates. Their argument is that price inflation now being more or less under control, the Fed can lower interest rates to stimulate economic activity. Well, as we know, the issue is not whether this person or that person is chairman of the Fed. What we should want is to undo the economic distortions introduced by



past Fed activity. The only way to do that is not to bark commands at the chairman of the Fed, as presidents are liable to do, but simply to stop inflating for a while, after which time market interest rates will gravitate to a sustainable level.

I expect people on the political left to look for miracles from economic interventions. The American left's approach to the economy is that wishing can make things so. We want workers to enjoy this benefit or that benefit. Pass a law. We want higher wages. Pass a law. We want less poverty. Pass a law. There's no thought given to any possible side effects of these interventions. It's just assumed that they will achieve their stated goals, and that we need to consider nothing further. Likewise, there's no thought given to whether physical constraints might be at work here. If simply passing a law or intervening in the economy somehow could generate riches from poverty, wouldn't Bangladesh have tried that already? Not to mention, there'd be no point to foreign aid if all they had to do was just pass a law bolstering labor unions or establishing a minimum wage. Well, that's a bad example because there is no point in foreign aid. It's terrible, and everything it does is a disaster. But you understand where I'm going with this.

When I hear this kind of thinking from the Right, that there's this magic button that if only Jerome Powell would push, but he's just stingy and for some reason has some fetish for human suffering and therefore refuses to push this button, this sounds like AOC. This is not the way a right-winger is supposed to talk. This is something a right-winger is supposed to laugh at. It would be great to live in a world where a government-created institution like the Fed has that button. So please don't make me defend Jerome Powell. I don't want to. I'm not saying he's a particularly good guy. I'm saying this is not the point. There is no reason for anybody on

the political right to sympathize with the idea that American prosperity, as well as the stability of the US economy, requires the monetary interventions of eggheads with their central plan. That is at odds with the way a conservative is supposed to see the world. What should resonate with him instead is the idea that there is a natural order of things that no intellectual, no matter how overcome with hubris, can overturn.

It is the Left that is consistently at war with the natural order. It is Alexandria Ocasio-Cortez who thinks that wishing for an outcome and backing that wish with state violence is all that's necessary to attain that outcome. I remind the MAGA people: She's not bright. Don't mimic her worldview. It's wrong. The conservative, rather than fruitlessly trying to bend the natural order to his will, recognizes it and conforms himself to it.

This is what Richard Weaver, who was much farther to the right than any of these people, was driving at when he wrote in his essay "Conservatism and Libertarianism: The Common Ground" (1960): "It is my contention that a conservative is a realist, who believes that there is a structure of reality independent of his own will and desire. He believes that there is a creation which was here before him, which exists now not by just his sufferance, and which will be here after he's gone. This structure consists not merely of the great physical world but also of many laws, principles, and regulations which control human behavior. Though this reality is independent of the individual, it is not hostile to him. It is in fact

The American left's approach to the economy is that wishing can make things so. We want workers to enjoy this benefit or that benefit. Pass a law. We want higher wages. Pass a law. We want less poverty. Pass a law.

amenable by him in many ways, but it cannot be changed radically and arbitrarily. This is the cardinal point. The conservative holds that man in this world cannot make his will his law without any regard to limits and to the fixed nature of things.”

Weaver went on to speak specifically of the insights of Austrian economics: “Praxeology, briefly defined, is the science of how things work because of their essential natures. The conservative and the libertarian agree that it is not only presumption, it is folly to try to interfere with the workings of a praxeology. One makes use of it, yes, in the same way that a follower of Bacon makes use of nature by obeying her. The great difference is that one is recognizing the objective; one is recognizing the laws that regulate man’s affairs. Since the conservative and the libertarian believe that these cannot be wished away through the establishment of a Utopia, they are both conservators of the real world.” In that real world, that magic button for the Fed or anyone else to push to create prosperity without effort does not exist.

Furthermore, some segments of MAGA don’t seem to understand the role of the Fed in rising prices, which are a concern of theirs. Therefore, they don’t recognize that we’re dealing with a matter of monetary policy. They speak as if consumer price inflation is caused by things like high energy prices or excessive government spending, and the Fed is just invisible here. I get why a politician might talk that way. Government spending and energy prices, well, they can control those things. Whereas there’s not that much political traction to abolish the Fed. Most Americans know nothing about it anyway, so why even bring it up?

But it’s harder to understand why intellectuals and influencers who don’t have to worry about these things likewise speak as if the drivers of high consumer prices are government spending and high energy prices, and neglect the Fed altogether. At this point, we’ve had the internet for a long, long time. We’ve had a long time to find out the truth about this. The Mises Institute, for example, is not exactly shy about spreading this knowledge to the public. So there isn’t much excuse, especially for somebody on the right, for

What we should want is to undo the economic distortions introduced by past Fed activity. The only way to do that is not to bark commands at the chairman of the Fed, as presidents are liable to do, but simply to stop inflating for a while.



not knowing the truth and not understanding this ongoing and persistent inflation of consumer prices. This phenomenon is caused by the Fed. It has nothing to do with these other things.

There's a superficial plausibility to the claim that high energy prices cause prices to rise generally. The argument is, of course, that everything uses energy. So if energy prices go up, that pushes up the price of everything. The problem with that is, that's a variant of the cost-push theory of inflation. It seems plausible. The problem is, if you don't have a Federal Reserve pumping more dough into the economy, the higher energy prices leave people with less money to spend on everything else.

So any higher energy prices would therefore be offset by lower prices elsewhere, and it would just be a wash. How are they able to maintain the high energy prices and yet all the other spending stays the same? How could that be unless there was some institution pumping money into this? That's where the problem is, right there. Likewise, government spending per se doesn't cause an increase in consumer prices. It depends on how they finance the government spending. If later on they increase the money supply and try to get around it that way, then you will see that. But it's not government spending per se, which we saw a lot of people claiming.

If you're claiming that you want to improve the well-being of the average American, who's been overlooked—you say that both parties have overlooked this person—you yourself can't overlook the Fed, because the Fed is the source of tremendous misery for tens of millions of people. And to make matters worse, they don't even know that it's the source of their misery. So I assure you that dismissing economics as stupid or boring or nerdy or not as important as the existential issues you think are more important, that's only going to worsen the situation you're complaining about.

The consequences of inflation extend much farther than high consumer prices. For instance, inflation discourages saving. Even if the Fed meets its inflation goal of 2% a year, that still means that over 20 years, your savings will lose 30% of their value. How can you save? How can you save for the future? Old-fashioned people, the conservatives in your life, like your grandparents, urging you to save now look foolish and contemptible, thanks to the Fed.

Our friend Guido Hülsmann, who wrote the tremendous biography of Mises, *Mises: The Last Knight of Liberalism* (2007), says that we have to consider the implications of this situation for ordinary workers. Most ordinary workers did not get any training in how to invest in the stock market. They used to be able to just accumulate precious-metal coins, which held or increased their value. That was all they needed to do for saving. But as we've seen with that figure I just gave you, they can't do that now. So now what do they have to do? They have to get involved in transactions they know nothing about and put their money at risk in transactions that involve expertise they don't have.

Even people who happen to have that knowledge and the time to navigate investments still can fall victim to inflation's broader effects.

People wind up spending more time than they otherwise would researching and selecting assets that they think will outpace inflation, diverting their mental energy toward money matters more than they would otherwise. That's a cultural effect. Also, people may choose to prioritize high-paying careers over careers they find personally fulfilling because inflation gives them no choice. That is a cultural effect.

Culture isn't separate from economics—"smart people talk about this, and dumb poindexters talk about that." That's a completely uncomprehending bifurcation. People may take jobs far from home, that involve long commutes, just chasing marginal income gains because, again, they're motivated by inflation pressure. This focus on money over personal satisfaction fosters materialism, weakens family ties, and reduces community loyalty as financial pressures come to dominate decision-making and reshape societal values.

Still another problem facing Americans, particularly those in their 20s and 30s, that the MAGA world is concerned about is rising home prices. They say the system has failed young people. Nobody can afford to buy a house. The implication seems to be, "You dumb economists, see? Free market capitalism doesn't really work after all. We shouldn't keep falling for this discredited superstition. We need to take some kind of collective action here." It's not always clear what that's going to be. Dare I suggest that those maligned economists have something to say about this issue as well?

I might note, by the way, that the critics of the market have trouble getting their story about home prices straight. You would think that people who had been complaining for years about the problem of lack of affordable housing would have been overjoyed in 2008, when housing prices fell sharply. “Oh, look, housing prices are coming down.” They were not overjoyed. So, I don’t believe them, some of these critics. The prices came down in 2008, and they acted like Frankenstein’s monster had returned just because housing prices were falling. They went into overdrive to figure out how to make houses more expensive again. They absolutely did that.

If these people are serious about rising home prices and would genuinely like to see a solution to the problem it couldn’t hurt, again, at least to listen to economics. You would discover that we can cut home prices all the way in half just by deregulating housing. Cutting these useless regulations would also, guess what, create a whole lot of very good construction and manufacturing jobs, which they also say they care about.

Home prices, again, this is another area where economics and culture are tied together in social life. Home prices are more than just numbers. They affect when and if young people are going to get married and start families. I’m sure a lot of these traditionalists are concerned about that. So if we can figure out through economic analysis how to get those prices down, that’ll be yet another example of why the much-maligned economists ought to be listened to from time to time, and why it’s foolish to dismiss economics as being a disembodied obsession with the line on a graph.

The person you should read on this is Bryan Caplan. Now, you know he’s not good on everything, but when he’s really good, he’s really good. Bryan Caplan has been on my show several times—we have agreements and disagreements—but he has a book called *Build, Baby, Build: The Science and Ethics of Housing Regulation* (2024). If you think, “I would never want to read this book because it sounds too dry,” he’s written it as a graphic novel because he realizes that people don’t read. (“So what if I draw you pictures? Maybe you’ll look at this.”) It takes you no time at all. He says that full deregulation of housing would indeed reduce home prices by a whopping 50%, even adjusted for inflation. He also points out that these ideas are, oddly



If you’re claiming that you want to improve the well-being of the average American, who’s been overlooked—you say that both parties have overlooked this person—you yourself can’t overlook the Fed, because the Fed is the source of tremendous misery for tens of millions of people.

enough, shared across the ideological spectrum. You find a lot of people on the left saying, “Yeah, we agree with this. These regulations are stupid and pointless, and they’re antihuman, and we should get rid of them.” So there’s huge consensus about this intellectually. Only nothing gets done. If we have a way to reduce housing prices by half, and people who have informed opinions on the matter across the ideological spectrum agree on it, yet we’re still not doing it, then we’re just not serious about it.

The main cost is obtaining permission to build, which in turn involves navigating zoning laws, building codes, bureaucratic red tape. Get rid of that, housing supply goes up. You have zoning laws mandating single-family homes. They limit multifamily housing, high-density developments like skyscrapers, even in high-demand areas. Minimum lot size requirements prevent the subdividing of land for more homes. Regulations

make it difficult to build tall buildings, even though this is a way that technology can make affordable, spacious housing available in places where people want to live. We might also mention that a significant portion of US land, especially in the West, is owned by the federal and state governments and kept off the market, and that reduces available land for housing development also.

On a much smaller scale, there is the sort of thing that's easy to overlook: Regulations tend to mandate an excessive number of parking spaces. They'll mandate two to three per apartment unit, or enough for if every day were Black Friday. But every day isn't Black Friday, so why are we wasting all this space? That's wasted money and misallocates land that could be used for housing.

It is wrong, in short, to imply that on the one hand, we have deep-thinking philosophers contemplating matters of profound import, while on the other hand, we have these confused and frivolous souls who for some reason are concerned about a trivial field like economics.

If we have a way to reduce housing prices by half, and people who have informed opinions on the matter across the ideological spectrum agree on it, yet we're still not doing it, then we're just not serious about it.



If you neglect economics, which is really just shorthand for understanding how the world works, you will not achieve the goals that you have convinced yourself are far removed from economics. I understand it can seem satisfying to appear to be above the allegedly mundane and materialistic concerns of the economists. Why don't these foolish calculators understand that our concerns are far more profound than theirs, and that they overlook the existential problems confronting us today?

This reminds me of my book *The Church and the Market* because in that I talked a lot about what we can do to improve the well-being of working people. I was answering all these accusations: "You economists are materialistic, and all you think about is profits and money. We need to help the working man." So I would say, "Okay, well, what do you want for the working man?" And their answer was more money. Okay, the very thing they just accused me of being a materialist for thinking about. So that is what they want after all. After all this pomposity about "We think about higher things," we really just want to give them more money. Okay, well good, because we're good at that. We know how to get them more money. We've got a whole lot of books on that.

The MAGA movement tells us, and I believe that they're sincere, that they're concerned about the well-being of the family, young people not starting families in the first place, home prices being out of their reach, generalized hopelessness and despair, and the sense that a prosperous and fulfilling life seems to be out of the reach of so many. I don't claim that people from any one academic discipline have all the answers or can solve all problems. Economics can't solve all problems. It doesn't pretend to. But it's precisely with the tools of the economists—good economists, I mean, not the establishment lackeys that many of them have become—that the problems identified by traditionalists can at least be mitigated. It's with the advice of Austrian economists that MAGA can avoid falling into the kinds of errors that seem to create prosperity but only set the stage for recession and thereby intensify the very problems they claim to be trying to solve. So after all the foolish and misplaced abuse they've taken, the people who have indispensable and important things to say about the troubles that ail us are in fact the despised, the rejected, the economists. Thank you very much. ■

UPCOMING *EVENTS*

ECONOMIC FREEDOM: THE KEY TO LIBERTY SUPPORTERS SUMMIT

October 16–18 | Delray Beach, FL

WHY THE ECONOMY IS FAILING GENERATION Z: MISES STUDENT CIRCLE

November 1 | Grand Rapids, MI

2026

OKLAHOMA CITY MISES CIRCLE

February 21 | Oklahoma City, OK

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 UNIVERSITY

May 14–16 | Auburn, AL

ROTHBARD GRADUATE SEMINAR

June 7–12 | Auburn, AL

MISES UNIVERSITY

July 19–25 | Auburn, AL

Register online at mises.org/events or by phone at 800.636.4737.

Student scholarships are available for all events.

KEEP YOUR SCHROEDER TO THE WHEEL

AMERICA'S FATAL LEAP, 1991–2016

Paul W. Schroeder
Verso, 2025; 298 pp.

AMERICA'S
FATAL LEAP
1991–2016
PAUL W.
SCHROEDER

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.

In this issue of *The Misesian*, we pay tribute to the great libertarian historian Ralph Raico, and in this review, I would like to discuss the views of another historian, one who was most definitely not a libertarian, but whose work Raico knew and respected.

Paul Schroeder (1927–2020) was generally regarded as the greatest American diplomatic historian specializing in Europe: *The Transformation of European Politics, 1763–1848* (Clarendon Press, 1994), a long and densely argued book about the Concert of Europe, was his masterpiece. He was not a political activist; as Perry Anderson, to whom we owe a debt of gratitude for collecting the essays found in *America's Fatal Leap*, says of Schroeder in the introduction, “He came late to any intervention in current politics, at the age of sixty-five. But when he did, he brought a depth of reflection on them like no other.”

Before we discuss his views, we must address a paradox. Why does Anderson, who is a Marxist (though also a historian of great range and power who has much to teach us, so long as his standpoint is always kept in mind), admire Anderson, whom he describes as someone of conservative temperament? The answer is not far to seek. The dominant theme is that Anderson's work was “structure,” so he always sought a structural account of historical developments which, while recognizing the importance of contingent events, shows how the developments “fall out” of a system.

Schroeder was decidedly not a Marxist, but he too looked for system and structure. As he saw it, the European powers needed to solve, or at least ameliorate, a problem that threatened their existence. They were independent but closely packed together, and often had conflicting interests. In the seventeenth and eighteenth centuries, this situation led to frequent wars



Meeting of the Congress of Vienna, 1815. Hand-colored woodcut reproduction of the painting by Jean-Baptiste Isabey. Photograph: North Wind Picture Archives / Alamy.

as expansionist states, such as the France of Louis XIV, sought to undermine the unstable peace arrangements made after the Treaty of Westphalia (1648). At the end of the eighteenth century and through the beginning of the nineteenth century, Napoleon's insatiable ambition again threw Europe into turmoil.

But the way the powers dealt with Napoleon's defeat offered grounds for hope: The winning coalition included France in the peace settlement and did not seek punitive territorial acquisitions or indemnities. The Congress of Vienna established the Concert of Europe, which sought to resolve disputes between nations peacefully. As Schroeder commented: "The task is that of establishing practices, rules, and institutions that will enable a sizeable number of territorially contiguous, autonomous political units diverse in their nature, aims, and interests to co-exist as separate entities."

Although wars were not altogether averted, the arrangement was in Schroeder's view a remarkable success. It is false, he claimed, to say that because America engaged in fewer international wars than nineteenth-century Europe, the latter was more prone to war: "All this makes it possible to think of Europe as still bellicose while America was basically pacifistic — a plausible but very superficial picture. It is like concluding that because fewer automobile accidents occur on the highways of rural Nevada

than the streets of Los Angeles or San Francisco, the Nevadans are safer, more law-abiding drivers." Schroeder delighted in overturning conventional ideas about diplomatic history.

Why is the Concert of Europe relevant to contemporary American foreign policy? Schroeder's answer is that problems need to be settled by an agreement of the powers concerned because unilateral action often backfires. Though wars cannot be avoided entirely, Schroeder's position is that they are usually unjust and unnecessary.

Schroeder applied this view to the events of 9/11. He thinks it was a criminal blunder to declare a "war on terror" and to topple the Taliban for harboring al-Qaeda, and to then to overthrow Saddam Hussein. The panic that resulted from the destruction of the World Trade Center needed to be calmed rather than exacerbated by roiling an already aroused public. If one considered the matter calmly, Schroeder opined, it would be evident that terrorist attacks, while not to be dismissed entirely, were not a major problem for Americans.

But what to do about al-Qaeda? (And I have not said "What should we have done?" for a reason.) Schroeder's response will not surprise you. He thought that the United States should encourage the concerned powers of the Middle East (including Iraq) to come together and devise a way to encourage the Taliban to surrender, to



expel al-Qaeda, and to surrender Bin Laden to an international tribunal. To the objection that doing so might take a considerable time his answer was that this was precisely the point. Once people knew that such a process was in motion, panic would dissipate, and they would calm down.

Delay was for Schroeder not an expedient but a principle: “When the great American historian Charles A. Beard was asked at the end of his career what was the most important thing he had learned from history, he replied ‘That the mills of God grind slowly, but they grind exceeding small, and that chickens come home to roost.’ He was an agnostic, and so presumably meant only that that was the way history ultimately worked out, and that long-range systemic causes were the most important. Beard was right.”

As Schroeder saw it, the policy followed by the Bush administration and its successors played into the hands of Bin Laden. He had hoped that the 9/11 attack would provoke the United States into so violent a response that revolutionary movements in the Islamic states would unite not only to fight against America but also to oust the Islamic regimes he thought too moderate. Schroeder remarked: “Try not to get your worst enemies what they want but cannot achieve without your help; or, if you cannot help doing so, at least beware of the danger and try to limit it.”

Schroeder was a master of historical analogies, and he compared the policy he attributed to Bin Laden to the aims of Gavrilo Princip in assassinating Archduke Franz Ferdinand: “Princip’s act was . . . directed against his own fellow revolutionaries and sympathizers; it was intended to force them to do what they were not

willing to do—follow the ideology of pan-Serbism and the slogan of ‘Union or Death’ to its logical, and mad, conclusion.”

I should note that Schroeder did not challenge the conventional account that Osama bin Laden’s al-Qaeda bore exclusive responsibility for the terrorist attack, and I shall leave it as an exercise for readers who do not believe this, or at least doubt it—for example, by accepting the theories of David Ray Griffin and others who argue that the attacks were an “inside job” of the Bush administration—to work out how this affects Schroeder’s analysis of American policy.

Schroeder was outraged by the abuse of prisoners at Abu Ghraib and other atrocities that resulted from the American occupation of Iraq. The lies of President Bush and Secretary of Defense Rumsfeld, and their efforts to pass the blame on to subordinate officials, disgusted him. The failure of the American public and Congress to demand a thorough investigation and ouster of the guilty parties manifested a deep-seated flaw in the American character.

Once more Schroeder drew a compelling historical analogy, this time with the efforts of the French army general staff to cover up the forgeries that led to the conviction of Captain Alfred Dreyfus on false charges of German espionage. He displayed his outrage in this powerful passage: “The nineteenth-century Danish philosopher Søren Kierkegaard wrote in an essay that the sign of malfunctioning of the digestive system was the inability to become nauseated or to vomit when eating spoiled food, and that the remedy was to take an emetic.”

Few diplomatic historians have the historical knowledge and the power of analysis evident in Paul Schroeder’s work. ■

FACULTY SPOTLIGHT



PAUL F. CWIK

Dr. Paul F. Cwik is a Fellow of the Mises Institute and Professor of Economics and Finance at the University of Mount Olive. He earned a BA from Hillsdale College, an MA from Tulane University, and a PhD from Auburn University, where he was a Mises Research Fellow. Dr. Cwik's book, *Austrian Business Cycle Theory: An Introduction*, was released in 2024.

How did you first discover the Mises Institute?

I was originally a political science major at Hillsdale College. In my freshman year, I took a political economy class and fell in love with economics, and I quickly switched to a political economy major. At Hillsdale, I had Professor Richard Ebeling, who was the Ludwig von Mises Chair at Hillsdale College.

Instantly, I was an Austrian.

At the end of my sophomore year, I decided to apply for and attend Mises University, and they accepted me. I flew out to Stanford, and it was an incredibly wonderful time.

So it was a pretty natural discovery, since I was going to Hillsdale and it was a predominantly Austrian program.

You attended Mises U in 1990 and 1991. As a student, what experiences stood out to you?

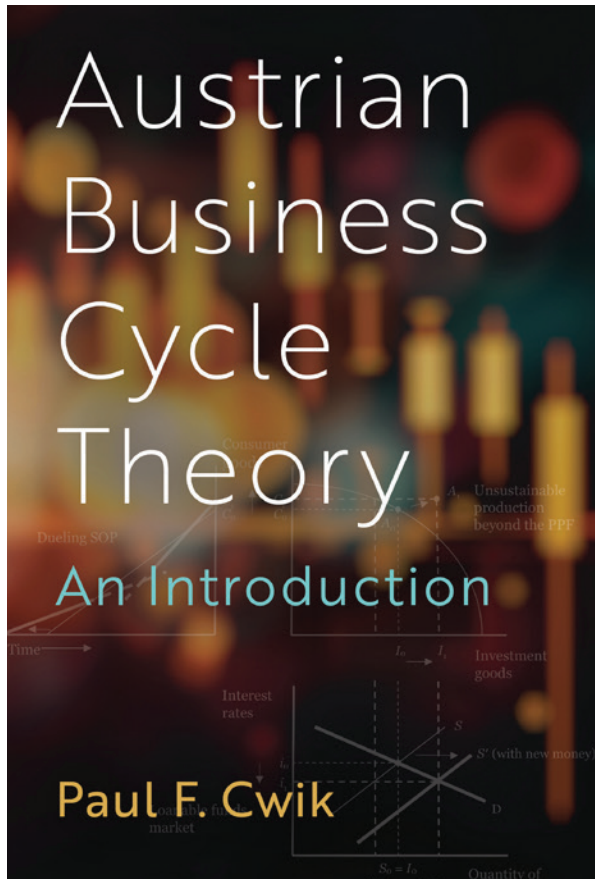
Well, of course, Murray Rothbard's lectures were fantastic. Some of them were recorded and are on YouTube. And in one of them they scan the room and you can see the back of my head, so that's pretty cool.

Murray Rothbard, Joe Salerno, Jeffrey Herbener, David Gordon, Yuri Maltsev, Roger Garrison, all of these people were just names on books and names in articles, so meeting them in person and seeing the passion and the energy that they had when it came to their topics was an incredible experience. It enlivens the subject when you have someone who's excited and passionate about their subject matter. And to actually talk with them and ask them questions was just absolutely invaluable. To talk to Rothbard and to all of these professors, it was great.

What impact did Mises University have on your career?

It had a huge impact. I met Lew and Mardi Rockwell and the people at the Mises Institute. I always figured I might go into graduate school, but I wasn't quite sure when I was a sophomore. Seeing the scholarships and the opportunities that the Institute had for advancement in graduate work was encouraging to me.

After I graduated from Hillsdale, I went to Tulane, and it was thoroughly a terrible program. It was



completely mainstream. It was a disaster. So I left there and I knew that I had to come to Auburn University, where the Mises Institute was, where Roger Garrison, Leland Yeager, Mark Thornton, and other fellow travelers with the Austrian School were. With the Mises Institute being there and by becoming a Mises Fellow myself, I could deepen my study of the things that I was interested in.

At that point, I was firmly convinced that I was going down the road of academia.

This your first time as a faculty member at Mises University. What did that mean to you?

Oh, it's tremendous. It's really hard to put into words how excited I was. It's like I finally made it, you know? I do love to hear the sound of my own voice. It's a bit of a joke. But I do love to talk about Austrian economics, and I remember how passionate all of those guys were back in 1990 and '91. Not just the passion, but also the clarity of what they were talking about. If I can be as passionate and as clear when I'm discussing these issues, these topics that I've studied so long, and can communicate that to the next

generation, to these upcoming students, that's the whole point of all of this. That's the whole point of being an academic.

Then it's special to get students that are not just interested in economics, but are also interested in things that are *uniquely* Austrian, like the structure of production and business cycles through the manipulation of interest rates from credit expansion.

All of these things really invigorate and excite me to want to do more.

Your lecture on Austrian business cycle theory really stood out for students. In it, you brought back the Roger Garrison–inspired visualization. Why did you feel that was important to bring out when teaching that topic?

Well, I've always been Garrisonian. He was my dissertation chair, and so I personally have never walked away from that approach, where we draw these graphs. There was a lot of pushback when Garrison first came out with his book over 20 years ago. Critics were saying, "Well, we know the structure of production doesn't *really* look like this."

It's special to get students that are not just interested in economics, but are also interested in things that are *uniquely* Austrian, from the structure of production and business cycles through the manipulation of interest rates by credit expansion. All of these things really invigorate and excite me to want to do more.

That is a fair criticism, but it is more of a graduate-level and professional-level criticism, right? What we're trying to do is communicate the Austrian business cycle theory to principles-level students by putting it into a format that they're used to, the graphs, the curves, the interconnectedness of it all. This method also works for the intermediate undergraduate students because they can also follow the graphs. The graphs allow us to tell them this story.

But once you have that basic story there, and this is what I've done in my book, *Austrian Business Cycle Theory: An Introduction*, you then start to add complexities to it.

For example, suppose you have a machine that digs out iron ore that then is used to make steel that becomes a machine that digs out iron ore. There are these recursive loops and all these other complexities, right? Well, of course, in the real world, it's not just this linear, triangular production structure. What we have are degrees of compatibility, of complementarity. And that's what we're really trying to talk about. It is how capital is not just one big homogeneous blob of perfectly substitutable elements, but that there are elements that are necessarily complementary, and if a certain portion goes missing, the whole system breaks down.

With the recent experience of covid, we saw supply chains breaking down, so I think that people are now familiar with, or at least more familiar with, what we're trying to express. So I think the visual approach is very useful to get people on board with this initial understanding of our theory.

What advice did you give to students interested in Austrian economics as they try to navigate their careers?

Austrian economics is still a bit of a niche, so it's always going to be an uphill battle. The way that you overcome these odds is that you just have to be really, really good at what you're doing. So how do you become really, really good at what you're doing?

Well, you have to take the time to study Austrian economics—plus study all the regular stuff at the same time. So that means you're just going to have to work a little bit harder.

How do we do that? Well, you need a support network, and this is one of the things that I

It is this support network that has emerged through the Mises Institute that's really, really important to help lift everyone up, because we can always get a little discouraged. We feel like we're all alone, but having that support network is great because it tells you that you're not alone, that there are other people doing the same thing, and that we're rooting for you.

really like about the Mises Institute, is that it has created this support network for students.

We have book clubs that meet online. And I'm leading a book club on my campus.

We have the ability to email and talk to all the other Institute professors. They list their contact information on all the articles they put out. We have a strong faculty network, so if you're a junior faculty member and you're trying to publish stuff and you need help, there's other faculty at the Mises Institute that are willing to coauthor research.

It is this support network that has emerged through the Mises Institute that's really, really important to help lift everyone up, because we can always get a little discouraged. We feel like we're all alone, but having that support network is great because it tells you that you're not alone, that there are other people doing the same thing, and that we're rooting for you. ■

MISES UNIVERSITY 2025

by Lew Rockwell

I'd like to begin by telling you something about how I founded the Mises Institute in 1982 and what we are trying to accomplish. Thirty-five years ago, when I was contemplating the creation of a Ludwig von Mises institute, the Austrian School of economics—especially its Misesian emphasis—was very much in decline. The number of Misesian economists was so small that all of them knew each other personally and could probably have fit in Mises's small living room.

I wanted to do what I could to promote the Austrian School in general and the life and work of Mises in particular. Mises was a hero both as a scholar and as a man, and it was a shame that





neither aspect of his life was being properly acknowledged.

I first approached Mises's widow, Margit. She agreed to be involved and to share her counsel as long as I pledged to dedicate the rest of my life to the institute. I have kept that pledge. Margit von Mises became our first chairman. How lucky we were to have as her successor the great libertarian businessman Burt Blumert, who was also a wise advisor in our earliest years.

When I told Murray Rothbard about the proposed institute, he clapped his hands with glee. He said he would do whatever was necessary to support it. He became our first academic vice president and our inspiration.

Murray later said, "Without the founding of the Mises Institute, I am convinced the whole Misesian program would have collapsed." Of course, we can't know how things would have



Understanding Stablecoins and US Crypto Policy

The Human Action Podcast, episode 510

Recorded live at Mises University, July 27, 2025

Recorded live at the 2025 Mises University, Bob Murphy talks to PhD student and 2025 Mises Institute Fellow in Residence Jason Priddle to understand the GENIUS Act—a landmark piece of legislation aimed at regulating stablecoins. They examine the broader implications of the GENIUS Act for monetary stability, fractional reserve banking, and the future of financial privacy.



LIVE DEBATE

Higher Tariff Taxes Will Create Prosperity *Spencer Morrison versus Murray Sabrin*

A special treat for the students was a live debate on tariffs between Murray Sabrin and Spencer Morrison. The issue is particularly relevant, as the Trump administration's actions have revived this old debate, one that played a major role in the development of economics in the eighteenth and nineteenth centuries. Morrison took the affirmative position and Sabrin took the negative position. The debate concluded with a Q&A.

turned out had we made different choices. I simply wanted to do what I could, with the help of dear friends like Murray and Burt, to support the Austrian School during some very dark times, and I was prepared to let the chips fall where they may.

More than 40 years later, the Mises Institute is still working to spread the thought of Mises and his great student Rothbard. Our most important form of outreach is Mises University, an intensive summer program in which we take undergraduate students under our wing for one week and introduce them to Austrian economics.

I am glad to be able to tell you that Mises University 2025 was a smashing success. We hosted nearly 100 students who came from far and wide, representing 28 states, 15 countries, and four continents.

But the success of Mises University is not merely a matter of the number and diverse origins of the participants. It depends crucially on the quality of the students and faculty and on the innovative structure of the program. This year's students were some of the most engaged, enthusiastic, and serious young scholars who have ever enrolled at Mises University. They listened with rapt attention to lectures on topics of daunting complexity, such as the time preference theory of interest and Austrian business cycle theory.

These students continued to discuss Austrian economics at lunch, during which they could sit with a faculty member of their choice, and at dinner. An unbelievable 67 students, a full two-thirds of the class, chose to take the optional written exam, and 11 of them passed the orals, five with honors.

And that's not all. This year 13 of our 19 faculty members were also Mises University graduates. This is undeniable proof of the long-term impact of the program. And because most of our faculty are Mises University alumni, they shared the students' eagerness to participate and to be present. This palpable mutual enthusiasm created an electrifying atmosphere of intellectual exploration and exchange.



But, ultimately, Mises University is about the students. I want to share a note we received from a student after Mises University 2025 concluded:

“It has already been two weeks since Mises University ended, and yet I still haven’t been able to move on from what has undoubtedly been the most impactful experience of my life. I know it’s common to hear that ‘Mises U is the best week of the year,’ but after living it myself, I can now say it with full conviction: it truly is. . . . And now, I’m ready. I feel stronger and

more eager than ever to put what I’ve learned into action. To spread the truth about liberty and help others understand how Austrian economics can transform lives.”

—Michelle Molina Müller, Universidad Francisco Marroquín

Transformative experiences like this are the goal of Mises University. And we would not be able to do any of it without the support of our wonderful donors. Next year will be the 40th anniversary of Mises University, and we plan to make it unforgettable. ■

MISES UNIVERSITY PRIZE WINNERS:

The **2025 Gary C. Schlarbaum Prize**, awarded to a young scholar for excellence in research and teaching, goes to Kristoffer Moustén Hansen

Third Place: Kenneth Garschina Prize of \$750

Gabriel França de Almeida from Universidade Federal da Bahia

Second Place: Kenneth Garschina Prize of \$1,500

Ryan Turnipseed from Oklahoma State University

First Place: Douglas E. French Prize of \$2,500

Adam Morys from University of St. Thomas





WHY WE NEED AUSTRIAN ECONOMICS

RADIO ROTHBARD STREAMS LIVE FROM MISES UNIVERSITY

During Mises University, Ryan McMaken interviewed Dr. Joseph Salerno on a live episode of *Radio Rothbard*. The topic was “What Makes the Austrian School Different?” This article is a selection from the 30-minute interview with Dr. Salerno.

MCMAKEN: Following the financial crisis of 2008, there never was any sort of real reckoning for mainstream economists, who had totally failed to see the crisis coming or understand its origins. The Austrian School economists, though, immediately understood the problem. What is different about the Austrian School, and how does it give us a little bit of an edge in understanding things better?

SALERNO: Let me just go back for a moment to the financial crisis. In an interview on *The Charlie Rose Show* in December of 2005—that was right before the financial crisis began to hit and right before people were seeing a financial bubble, and Austrians were already calling what we had a housing bubble—Milton Friedman, who was a leading empirical economist and a leader of the school that believes that you can create

economic theory by testing it against the data, claimed that we were in the most productive and the best period of the American economy in his lifetime. He praised in glowing terms Alan Greenspan, chairman of the Fed at the time.

And here we were on the precipice of the explosion of a housing bubble that was going to turn into a financial crisis two years later. Friedman had no clue that that was the case. But people like Peter Schiff, our own Mark Thornton, and a number of others already in 2003 and 2004 were pointing to the fact that we had a growing housing bubble.

Now, they were able to do that because they understood Austrian economics, which begins with human action and deduces a lot of theorems. Way down this chain of deduction is business cycle theory. Business cycle theory comes out of those theorems that are developed from the human action axiom. So, it's grounded in reality and it explains reality. If the logic is correct (and it's not always correct, and people have to go back and check the theorems and so on), then we have real things to say about what's going on in the real economy.

So the condition for a boom-bust cycle according to Austrian business cycle theory is that there has to be an increase of the money supply that drives down the interest rate below the rate of profit that businesses are earning.

So you'll have excess borrowing of this newly created money, and that will bring about a disproportion in the production processes: Some will grow more than others, inconsistently with human wants and desires.

MCKAKEN: There seems to be a lot of confusion about what Austrian business cycle theory actually is, though. Paul Krugman for example, throws out all sorts of bizarre theories like the “hangover theory” of recessions, and he'll accuse Austrians of basing business cycle theory on some sort of moral theory that if you “party” too much, you have to have a recession to correct things afterward. Others claim that the Austrian theory is something simplistic like “What goes up must come down.”

SALERNO: The Austrians don't say that at all. The Austrian theory states that if you create new money, you're going to distort the interest rate and mislead entrepreneurs into producing things that are not as urgently demanded by consumers. That is, you're going to be fooled

into thinking that people want to save more for the future, and therefore want to invest more in capital goods today, and that they're willing to postpone some of their consumption into the future. That's not “What comes up must come down,” the notion that we splurge too much in investment *spontaneously*.

No, entrepreneurs *generally* do not make mistakes. A small minority of them do, and they go out of business. There's a selective process in which entrepreneurs who are bad—who do not forecast the future accurately—are driven out of business. So why suddenly do we have what Murray Rothbard called a cluster of entrepreneurial errors? Why suddenly do almost all entrepreneurs make mistakes and have their businesses going bankrupt?

That question is not answered by the mainstream, by the Keynesians, by the monetarists, by the neoclassicals, by anybody besides the Austrians. The Austrians explain *why* entrepreneurs can all be misled at the same time, and that it is something external that distorts their calculations. That external thing is the manipulation of the interest rate by the Fed.

MCKAKEN: That's an important point, because a lot of the time the explanation for speculation in the marketplace or price inflation is “greed” or “animal spirits,” which are not explained by something external to our mental activity. We're told there were “animal spirits” that caused us all to be greedy all of a sudden, so a bubble resulted. But the Austrian School doesn't say this, right?

SALERNO: “Animal spirits” was an infelicitous term—not a very good term—coined by Keynes and applied to businesspeople. It means that business decision makers all become very optimistic—like a horse that's kind of calm and standing around, and then suddenly he'll take off and run. That's “animal spirits.”

Suddenly businesspeople become so optimistic that they're willing to forget all their calculations and all their experience and invest wildly in projects that that are going to fail. And then, of course, others pick up these spirits and then jump on the bandwagon. That's nonsense. It's not an explanation at all. That's a *deus ex machina*, that's the god coming out of the machine and saying, “Okay, this is what caused all that.” The Austrians, on the other hand, have a worked-out explanation for the cause. ■

THE MISESIAN

a publication of the Mises Institute

The Mises Institute
518 W. Magnolia Ave.
Auburn, AL 36832-4501

I want to support a Mises University student!

☐ **Sponsor a student** ☐ \$50 ☐ \$100 ☐ \$500 ☐ other _____

☐ **Provide a travel scholarship** ☐ \$50 ☐ \$100 ☐ \$500 ☐ other _____

☐ **Fund a book scholarship** ☐ \$5 ☐ \$15 ☐ \$30 ☐ other _____

☐ I wish to remain anonymous.

☐ My check is enclosed. ☐ Credit card



Name _____

Card # _____

Day phone _____

Security code _____ Exp. date _____

(3-digit number on back of card, 4-digit number on front of American Express)

DONATE ONLINE



mises.org/MU26

MAIL TO



518 W. MAGNOLIA AVE.
AUBURN, AL 36832

CALL US



334.321.2100

334.321.2100 | contact@mises.org | mises.org

The Mises Institute is a nonprofit organization. Contributions are tax deductible to the full extent of the law.