

The Austrian

A PUBLICATION OF THE MISES INSTITUTE

Vol. 5, No. 1

January – February 2019

PAGE 4

CARMEN ELENA DOROBĂȚ

A Young Scholar on
Mises's Legacy and Impact



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From the publisher

Jeff Deist

Renewal takes many forms, and youth is one of them. Every year the Mises Institute produces another group of young scholars from our Research Fellows Program, many of whom go on to academic careers, business ventures, financial firms, or entrepreneurial start-ups.

This issue features one of our favorite young alums, Professor Carmen Elena Dorobăț. She grew up in the ashes of Ceaușescu's Romania, and holds no illusions about socialism's allure for coddled younger generations in the West.

She made her way to the University of Bucharest, where she found herself uninterested in economics until a professor fortunately assigned Mises and a light went on. Just a few years later she came to the Mises Institute, which led her to pursue a PhD in economics under the direction of Professor Jörg Guido Hülsmann.

Her PhD dissertation on the Cantillon Effect led to an interest in the intersection of trade and monetary policy, exploring how malinvestments made during the boom of expansionary policy led to capital locked into unproductive uses after the bust. Watching the 2008 financial crisis unfold during her research only highlighted the inability of central banks to respond rationally to debt and insolvency crises in the private sector.

Today Professor Dorobăț is a thoroughgoing Misesian in the tradition of her mentor, Dr. Joe Salerno. She's a fierce critic of the European Central Bank, an outstanding writer and public speaker, and along with her husband Dr. Matthew McCaffrey (also a former Mises Institute Fellow) a parent to their young son. Carmen and Matt represent the next generation of Austrian scholars, a renewal of the ideas of Menger, Mises, Hayek, Rothbard and many more. It's this renewal and growth of good ideas among younger people that's so important for our future.

Don't miss David Gordon's review of Dr. Yoram Hazony's new book *The Virtue of Nationalism*, which comes at a time

when globalism vs. nationalism has become a proxy for stale debates over Left vs. Right.

Mr. Hazony defines and applies the term "nationalism" quite differently than most modern users. Hazony's thesis — that sovereign nation-states not only make for a more peaceable world, but also provide the best chance for protecting individual rights domestically — certainly is subject to debate. But his willingness to confront globalist orthodoxy highlights the growing split among his fellow conservatives. After all it is progressivism, with its endless march toward "inevitability," that requires the imposition of western modes and institutions across the world.

Hazony stumbles a bit in his misapprehension of Mises and Hayek, two thinkers he cites as advocates of liberal universalism. He sees their support for markets and liberal institutions as a call for a global *political* program. But liberty is not compulsory globalization, as Gordon reminds us. In

"We must always change, renew, rejuvenate ourselves; otherwise, we harden."

— Johann Wolfgang von Goethe

fact Mises saw a greater role for nation-states than Hazony realizes, nation-states ably described by Dr. Joe Salerno as peaceful, unifying, and above all rooted in self-determination. In fact, Misesian self-determination is not a collective right but an individual one.

Mises despised colonialism and Nazi imperialism, two outward-facing expressions of illiberal nationalism. His universal liberal principles sought shape in smaller unified polities, free trade, and above all peace. This Misesian view of liberalism by suasion, a utilitarian recognition that liberal societies produce better results, contrasts sharply with Hazony's characterization of modern liberal globalism as relentlessly imperialist. But this difference goes beyond semantics. Not only has the word "liberal" radically changed meaning since Mises's time; liberals changed too.

We look forward to seeing and connecting with you in 2019. We have some terrific new podcasts available on our website and via iTunes, new academic programs, and a slate of upcoming events (at mises.org/events). Please stay connected and engaged with us. 

Jeff Deist is president of the Mises Institute.



CARMEN ELENA DOROBĂȚ

A Young Scholar on Mises's Legacy and Impact

JEFF DEIST: You were born in Romania. Were you born in the countryside or in Bucharest?

CARMEN ELENA DOROBĂȚ: I was born in a very small town in the eastern part of Romania close to the Republic of Moldova, Ukraine, and Russia. That part of Romania, it's pretty small, I think about 50,000 people. It is just your regular small town. Growing up, everyone knew my family, we knew everyone. I moved to Bucharest when I went to college, when I was 18.

JD: You're too young to remember much of the Soviet era in Romania or the Ceaușescu regime, but tell us what you do remember.

CD: I was only a year-and-a-half old when the end of communism came. Personally, I don't remember much, but my dad has talked to me a lot about this because he did grow up in the communist period. He was born in 1955 so he was 33 or 34 when the regime collapsed in December of 1989.

He remembers staring at the TV and having this feeling of disbelief as to whether it was actually happening or not. He's tried to explain to me why he couldn't believe it. He used to tell me, "I thought I would be happy and I should've been happy, but I was so scared that I just couldn't allow myself to be happy." For him, it felt like something was going to go really wrong and this dream of being able to get rid of communism was going to be taken away from them. So, he didn't allow himself to really think things had ended until a few weeks later when Ceaușescu was executed. So, as far as how it was before, he used to tell me about the poverty that was so widespread. It was two hours of electricity every day in the 80s, and a maximum two hours of hot water.

Dr. Carmen Elena Dorobăț is a Fellow of the Mises Institute and assistant professor of business and economics at Leeds Trinity University in the United Kingdom. She has a PhD in economics from the University of Angers, and is the recipient of the 2015 O.P. Alford III Prize in Political Economy and the 2017 Gary G. Schlarbaum Prize for Excellence in Research and Teaching. Her research interests include international trade, monetary theory and policy, and the history of economic thought.

Everything was rationed: bread, oil, meat, eggs. If you wanted to get gas you needed to go at specific times. If you couldn't because of your work, your neighbor would take the car. You would drive the car and put it in the queue and then you'd leave a neighbor with his car and your car and he kept moving both of them up the line. I heard all sorts of stories like that growing up and it has definitely made an impact.

My dad was so strict about that sort of thing that he didn't even allow me to learn Russian at some point when I wanted to. For no other than purely aesthetic reasons. I thought Russian was really nice and I liked Dostoyevsky, but my dad was completely against anything that had to do with the East. So yes, a big part of my childhood was influenced by stories from him.

JD: Would you say your father was strongly anti-communist or was he anti-Russian?

CD: No, no, he was strongly anti-communist. He had a problem with the regime. The Russia connection was just because that's how communism came, more or less, to Romania. He was forced to learn Russian as a pupil, so that was an issue, but, no, he was strongly anti-communist.

He had wanted to study philosophy but then discovered that he would only be allowed to study a particular type of philosophy, which was just Lenin at that time.

He wanted to flee the country when he was 19, thinking he could go abroad and study there. But then a friend of his did that, and his parents ended up in serious trouble with the security services, and almost went to jail because the state considered them as accomplices with their son having fled. So my dad abandoned the plan and remained quietly anti-regime for the rest of the time until '89.

JD: Studying Lenin's philosophy sounds pretty bleak to me ... can you imagine?

CD: Yes, that was the case for my father, as he had other plans in mind. He would have been very happy to study literature as well but that was significantly curated as to what you were allowed to read and what you were

allowed to study, as well. Again, it was a lot of Russian authors, specifically regime-approved Russian authors, and so on. He eventually went into civil engineering so did something non-ideological in the world.

JD: Americans and a lot of westerners don't realize there were severe hardships and rationing in Romania during the 1980s.

CD: No — and this is quite interesting — the 60s and 70s weren't as bad as the 80s, because of problems of capital consumption. In the interwar period Bucharest used to be known as 'little Paris'. We had the monarchy during that time. We never had anything you could compare to a free market, but the market could breathe a little in those days, and the economy really developed until the war. Then, when the communists came after the Second

The 60s and 70s weren't as bad as the 80s, because of problems of capital consumption. We had the monarchy during that time. We never had anything you could compare to a free market, but the market could breathe a little in those days, and the economy really developed until the war.

World War they consumed that accumulated capital for 15 to 20 years until the 80s when the effects of the era of central planning became visible. And by then you had no more capital to consume. You've burned all your house's furniture by the 1980s, and it became even worse than it had been before.

JD: Growing up, what was your perception of other places in the old Eastern Bloc?

CD: I remember thinking of Poland as a much different place from Romania in that period. Poland went through the same process as Romania at about the same time. I remember — it's

CONTINUED ON NEXT PAGE

just bits and pieces that I've basically put together after growing up — at the time even my dad was thinking that Poland was too radical in the way the Poles were privatizing pretty much everything. In Romania there were all these slogans in the early 90s about not 'selling your country' and not allowing the foreign companies to come in. That feeling stayed, and it was Poland that seemed to be an extremely radical place that was talked about a lot in the early 90s.

JD: Tell us about your mother.

CD: My mom was not overtly political in how she expressed her opinions. She just kept to herself on these sorts of issues. She's an engineer as well and she did fashion design as a passion afterward, she combined the two.

I randomly signed up for an optional course in my second year of school, which sounded interesting. It was on comparative economic policies: capitalism, socialism, interventionism.

JD: But you mentioned earlier how much your dad's experiences affected you. You grew up in a household that had been under the thumb of Ceaușescu, even as a girl you developed a sense of the political situation in Romania.

CD: When I was five or six, I discovered in a drawer a stash of dollars or some other foreign currency, and asked my dad what it was. I remember him telling me that we shouldn't tell people that we had it because you were not allowed to hold foreign currency before 1989. There are all sorts of these odd things that didn't fit with the time that I was growing up in.

For example, there was this idea that you don't talk to your neighbors or don't share with your neighbors. Romanians really suffered from this point of view. In the communist period, you never knew who was going to

go and tattletale at the security services. A lot of times it used to be the neighbors or the people you would take into your confidence, so generally people were very reluctant to do that unless they knew someone for a very long time.

And then there was the way people behaved around buying consumer goods or spending on things. Among many Romanians, there's a certain thriftiness, the idea that you don't throw anything away, and it was all because of the hardships they had gone through when they couldn't find anything on the shelves. I remember my grandmother couldn't understand that you would just throw away a shirt that's been torn, that you wouldn't bother repairing it. I kept saying "well, it's actually cheaper to go and buy a new one," and she wasn't able to understand how that was possible. Those kind of things stay with you and you develop in that way.

JD: So how did you find your way from a small town in the eastern part of Romania to university in Bucharest?

CD: Well, my mom wanted me to study economics. She thought it was a very lucrative thing and she wanted me to work in a bank!

JD: Lucrative?

CD: Yes, she said go be an economist, so you can work in a bank. That was her impression, and my mom is not the kind of person you say "no" to. So, my only condition was that I would go far, far away to study so I picked Bucharest. I got into the Bucharest Academy of Economic Studies. It's a free-standing university, focusing on economics, business administration, and management. I started in 2007 and after two years I really regretted I had taken my mom's suggestion, because I didn't enjoy the material. I was always more inclined toward literature and foreign languages, reading and writing. I would get the mechanics of economics, I just never got any passion for it or any desire to learn more. And it's worth mentioning that I think for the first two years I didn't read anything other than textbooks and pages and pages of textbook exercises. I think it was my second year when I started gaining a little bit of independence and I thought, "I'm just going

to finish this year, I'm going to put it on hold and just go do something that I want at least for one year. And then if it turns out this is how university is and I don't like college in general, then I'll go back and finish this and keep mom happy. Or maybe I find my vocation." In doing that, I randomly signed up for an optional course in my second year, which sounded interesting. It was on comparative economic policies: capitalism, socialism, interventionism.

Now in hindsight that should've been a dead giveaway, but you have to remember I had not heard much about these things at all up to that point. The class, it turned out, was given by Vladimir Topan, who's now the president of the Ludwig von Mises Institute — Romania. I remember him walking into class, introducing himself, and the very next question was, "Have you ever heard of Ludwig von Mises?" and him writing Mises's birth and death dates "1881–1973" on the blackboard. And then he started giving us things to read. The first was Mises's lectures from Argentina. There are a couple of chapters there on inflation and interventionism. And then he assigned Murray Rothbard's *What Has Government Done to Our Money?* It was the first time reading Mises's lecture on inflation, after two years of economics that I actually understood what inflation was. It just made sense, and Vlad is an excellent teacher. He was willing to spend the extra half an hour chatting with me after class, because I started having questions and it just became so interesting. Then I thought, well, I'm going to finish the third year. At that point Vlad supervised my bachelor's thesis, which was on international trade and it snowballed from there.

JD: Amazing — there you were in a former Eastern bloc country learning about Mises from your professor, when so many western students never hear his name.

CD: Vlad had a pretty similar experience himself with one of his professors, Dan Cristian Comănescu. Comănescu started the Ludwig von Mises Institute in Romania, and he translated Mises's *Human Action* into Romanian. He traveled to the US and met Bettina Bien Greaves, Mises's longtime assistant and bibliographer, and it was Comănescu who started it all. As far as I remember from his stories, he accidentally came across a copy of Rothbard's *Ethics of Liberty* in French. It was a string of happy coincidences that ended up with me taking Vlad's class.

It was a very small group of libertarians. It's been growing tremendously in the past few years, but back when Vlad was a student, I think it was maybe a handful of them and then back when I was a student maybe we were 20, 30 people. Now it's become a lot more popular.

JD: Isn't that funny — we like to think of ourselves as captains of our lives, yet so often luck or coincidence leads us to discover something important.

CD: Yes, it was a complete accident. In fact, the first department at the university that I applied for had something to do with business administration, or something like that, and I didn't get in. I got into this one where Vlad was teaching. So, it was all completely coincidental, but, in a way, it was meant to be.

JD: And this sparked enough of an interest you decided to get a doctorate?

CD: I remember Vlad seeing the first few drafts of my bachelor's thesis, and saying "well there's potential here. You can develop this further," and I felt very happy and very proud. So it stuck with me. We together picked a very good topic — international trade — and it was something that I really liked and it was something that I could carry through. I did the same thing during my master's program. And then I met Guido Hülsmann when I was a Research Fellow at the Mises Institute in 2011 and I thought it was just too good an opportunity to miss. I wanted to do a PhD anyway but then there was a glimmer of hope that I could do the PhD with Guido, so I thought "okay I'm going to do this for sure."

JD: This is also when you met your husband Matthew McCaffrey?

CD: Matt was the first person I talked to when I got to the US. He just happened to drive into the Institute as the shuttle from Atlanta dropped me off and I was so lost, and he helped me get the key to the apartment and so on.

JD: Yes, very serendipitous.

CD: I know, I know he was apparently very helpful. He's like "oh very nice to meet you." Later on I found out his ulterior motive.

JD: So, you met Dr. Hülsmann during that same summer and ultimately decided to get a PhD from the University of Angers in France?

CD: Yes. I approached Guido with a paper I was writing that summer and he read it and he said, “It’s terrible, you need to start over!” and I thought, “This is gonna be a really good experience!” You know, he was still happy to help me apply and he said, “I mean it’s terrible but there’s potential, so we can work together.” He was extremely helpful, and I started my PhD in 2012.

JD: And ultimately your PhD thesis was about trade and the Cantillon effect.

CD: Yes, it was on Cantillon effects in international trade. This came primarily from Dr. Hülsmann because he’s an extremely good PhD advisor. He’s good at figuring out where your research should go, both from the point of view of what you can do, and what it’s interesting to actually study, where there are gaps in the literature. He is also aware of what makes sense from the point of view of a career. He very quickly dissuaded me from going into pure international trade theory, the barter-like models. I was interested in studying those because those were the ones that I was familiar with. But he said I needed to focus on monetary theory because there was the biggest gap. So then we looked at the effects of monetary policy, and expansion of money supply on international trade.

JD: You researched and wrote your dissertation squarely in the aftermath of the financial crash of 2008.

CD: Yes, the ’08, ’09 crash happened when I was in my second undergraduate year. It happened when I met

Vlad, and it was all that we talked about through our masters program. Sometimes I still refer to it as the “recent financial crisis,” to my students and then I realize that they were eight when it happened!

JD: Given now almost a decade of hindsight, do you think the Cantillon effect explains why so much of the newly created central bank money flowed unevenly into equities and certain housing markets instead of CPI?

CD: Yes, exactly. That’s the whole point. We talk about it as the Cantillon effects and so on because that’s how they were later coined, but Mises actually never referred to it as the Cantillon effect. He, whenever he talks about these aspects, just says this is the way money behaves. Mises’s explanation is that the money supply doesn’t exist outside of people’s cash balances, so when you increase the money supply the only way you can do it is by increasing people’s cash balances. And you cannot increase all cash balances at the same time and to the same extent.

JD: Mises argued money can never be neutral.

CD: Yes, exactly. Whenever the central bank increases the money supply through whatever complicated operations it uses, the money will go into some balances and then it will trickle down. And, by the time it’s seen in the CPI it’s already displaced wealth from the last receivers toward the first receivers. It’s already completed some of the effects in that sense. And, evidently this doesn’t happen only within national borders because we have very connected capital markets and financial markets and now it crosses national borders as well.



JD: Before we wrap up discussing your PhD at Angers, there’s a debate among Austrian academics. Some say PhD students should attend the highest rated program that accepts them, and some say it’s better to study under an Austrian or free-market mentor like Hülsmann.

CD: Well for me, to put it simply, the University of Angers was the best university that at the time I could get into, so I wasn’t really faced with that dilemma in a sense. I do understand that sometimes people may

think it's a lot more difficult to cut it in the mainstream if you don't go to a top mainstream university. If you can do a PhD program in a mainstream university and do have a fairly supportive committee — that won't block your thesis simply because they maybe disagree with you on some issues — then there's no point in not doing it. It will definitely make it far easier for you to teach at a good place where you may find students that you can influence. So there's nothing wrong with doing that.

At the same time, if your passion lies more toward developing something in detail within Austrian economics, it may be better to work with someone like Dr. Hülsmann. But be aware that Dr. Hülsmann's program is still an old-style PhD program in which you write hundreds of pages — basically a book. In the US, on the other hand, it'll be only three papers that need to be published. So it depends where you want to invest your effort. I guess it just depends on the person. There is nothing wrong with getting a PhD at an extremely highly ranked program. I think that's usually what the debate is about. Mises got a perfectly mainstream PhD, so if you can do it why not?

JD: Do you think we ought to encourage young PhDs to care more about teaching and mentoring? There's too much emphasis on publishing. Let's win over some young minds in the classroom.

CD: From what I know from the US, and from the experiences of people that I know who teach in the US, there is indeed a really big push on publishing and it's happening in Europe for sure as well. In Europe it's a little bit counter-balanced by the push from the administrative side. There's so much bureaucracy here in higher education that you basically need to carve out time for research out of all the administrative duties that you have. But in both cases teaching is definitely at the bottom of the scale in terms of a lecturer's or an assistant professor's priorities and it's really disheartening because it's a very selfish way of doing things. It's all about your career and publishing, but then you know you never get to influence anyone else. I do worry, as does Matt sometimes, that he and I will never get to do for someone else what Vlad did for me, for instance. Or what Mises did for

Rothbard and so on. I think teaching should come first and I think research supports good teaching. That's how we should go about it. You do research so you can be a better teacher, so you're at the top of your game, and you constantly teach your students from what you know.

JD: Would you say the relentless focus on publishing academic papers is less intense in Europe? Because in the US publishing is the key to one's academic career, not teaching.

I think research supports good teaching. That's how we should go about it. You do research so you can be a better teacher, so you're at the top of your game, and you constantly teach your students from what you know.

CD: Well, it always depends. It depends on the university here evidently. If it's a highly ranked university with a rich research culture, there will definitely be that push. Smaller universities are trying to gain a little bit of a competitive advantage by having excellence in teaching. There's the research-excellence framework that universities compete to be extremely well ranked within, but there's also the teaching-excellence framework that they're trying to compete in.

But on the other hand there is no actual tenure here. After a while, of course, if you become associate professor or professor, it's sort of implied. Your contract is designed so the likelihood of getting fired is a lot lower than before. However, it's more for promotion than creating a situation in which you have a safe job for the rest of your life. I personally don't feel the pressure as much as I think colleagues of mine of my age at universities in the US feel.

JD: Tell us about your students in the UK, give us a sense of their mindset.

CD: Well this is a small Catholic university so the students that come here are fairly local. They're very interested, especially since this is a business school, in getting skills that they can use in employment. A lot of them are not interested in pursuing a master's program or anything of the sort. They just want to get a degree because they heard that they can get a better job at the end. So in a way it's very good for teaching because the students put a lot of emphasis on their need for the program to be extremely relevant to what they want to do. They want it to be oriented toward making students employable.

I do have some small seminars or some MBA classes with eight, ten, or fourteen in class. With them I can go into a lot more depth and we do have a little bit more time to talk. Then sometimes I'll get students saying, "I never thought about it that way." Then I feel happy.

JD: Does that mean they're serious and not spoiled?

CD: Yes, in a sense. Sometimes it's not about being spoiled, though. I think they're unprepared. The faults in primary, secondary, and high-school education are evident, you know, and when they come and don't have the practice of reading or writing effectively, they don't know how to reference things they've read. But the ones that are motivated, they are motivated from some very good reasons that feeds back well into what we do. For instance, they will not be interested in high-level research, especially not at this university. I could go in front of my students and tell them how well published I am, and they wouldn't care about it. My colleagues who have worked

for Pepsi or Proctor & Gamble — they're much more successful than I am in the students' eyes, because those professors are practitioners. They're former practitioners who moved into higher education, who can actually deliver something really practical for them. That's what they like. In a way it's healthier, I think the connection is a little bit healthier, the feedback is, you know, more important for the students and it keeps our teaching on a better line than otherwise.

JD: Do they seem susceptible to socialist nonsense?

CD: I think they come ingrained with it. In principles of micro and macro classes, you can ask, "Are balance-of-payments deficits good or bad?" The students say they're bad. You know they heard that somewhere. This is the first time they have ever come to class and they already think they know that these deficits are bad. What about minimum wage? They say automatically, "That's good, minimum wages are good." You know that's the kind of thing that they come into class with, but I think that's the same everywhere.

I remember talking to Vlad and he was saying that sometimes students can go through your whole class — and they're good students and they understand what you tell them and you explain why a balance of payments deficit is not a bad thing and so on — they're able to repeat that back to you. But if you ask the question in a different way, they'll still give you the same answer they gave you at the beginning of the semester. They'll say, "Well, actually maybe we should still encourage exports rather than imports." Although the deficit is not a problem they still think exports must be better than imports. They've heard that one thing so many times it just becomes a form of common sense to them.

JD: Do you think you're making progress with these young people?

CD: It depends on the day when you ask me. It can depend on the size of the class too. I do have some classes, some small seminars or some MBA classes with eight, ten, or fourteen in class. With them I can go into a lot more depth and we do have a little bit more time to talk. Then

I do feel like sometimes I'll get the oohs and ahhs and students saying, "Oh, I never thought about it that way." So then I feel happy. The bigger the class, the harder it is sometimes to get through to them and even though you tell them those same things they can just block you very easily. In an ideal world, you would be only teaching Oxford-style tutorials. It would be you and four students — the way I used to learn from Vlad pretty much, in seminars at the Mises Institute Romania. It was six or seven of us around a table just dissecting Mises's *Theory of Money and Credit*. I can't really do that with 100 students in a room.

JD: But don't we have an obligation to meet these kids where they are and do what we can — even if that means reaching the best and brightest and encouraging them?

CD: Sure, that's why we go back to work every day and not give up. I'm not toning down anything that I say, and I keep putting all the resources out there even though I know that 99% of them won't read them. But maybe every once in a while a student will engage with the material and appreciate it. But a lot of what you say will fall on deaf ears and, well, at least you've done your job. Sometimes it's how you present it too — sometimes I do try to meet them halfway and maybe I won't get them fully convinced. Maybe they'll still say minimum wage laws should be pursued, but at least they understand that they create unemployment among the young. They'll say, "It does create unemployment, however, we should still implement it for some other reasons." That's okay, as long as I got through the first part to them. At least they're aware of it.

JD: Let's talk more about Mises, whom you've studied quite seriously. You wrote an introduction to a series of nine lectures Mises delivered in 1951, and as you point out he was already nearly 70 yet still producing amazing work. In that introduction you distill those lectures into three big buckets, namely method, calculation, and money. Elaborate for us.

CD: Mises's career started by working on monetary theory. But very soon you start to see that he realized of what central importance money is in general. It's not just a separate issue in economics. It's at the heart of all economic analysis, and he realized that by looking at the

importance of the calculation debate that there is no such thing as a barter economy lying underneath monetary values.

You need money to calculate profit and loss in an economy that goes beyond that of a small household, so you need money prices in order to have a fully developed economy. Once money surfaces as a general medium of exchange, those barter exchange ratios disappear. Prices do not exist without exchange. If we don't use barter anymore, there aren't any more barter prices to analyze or contemplate. Similarly, money prices cannot exist in the absence of free voluntary monetary exchanges in the market. And if you need money prices then automatically you know central planning is impossible.

Mises started on a very practical line in this sense. He used monetary theory, figuring out some issues, criticizing some older theories, disagreeing with classical economists, filling in small gaps. I think as his career progressed, after he moved to the US, after *Human Action*, he starts to publish a lot more on epistemology and praxeology and so on because he started to ask: why are people not talking about money the way Austrian economists are talking about money? Why is money put in a separate box in the rest of economic science, especially in mainstream economics? He realized it's a problem of method.



It's the way we conceptualize economics, the way we make abstractions, the way we think about human beings as *homo economicus*, or rather from a praxeological point of view.

So, it's not three separate things he focused on, it's just three lines of inquiry that he went through in turn in his scholarly research. Monetary theory on one hand, calculation — applying all the insights for monetary theory and explaining how markets work — and then this meta-level analysis of the epistemological problems of economics.

JD: Guido Hülsmann thinks *The Theory of Money and Credit* is in some sense a bigger achievement than *Human Action*, given Mises's relative youth when it was published.

CD: Yes. I've heard Guido express that view. I think it's worth asking him again because I didn't get a chance to ask him exactly what he means. In a sense *The Theory of Money and Credit* is a lot more focused. I can see where Guido's coming from, if I remember other similar discussions I've had with him. The theory of money is at the heart of economic theory in a sense, so perhaps — not to put words in his mouth — Guido's trying to hint at the fact that focusing on monetary theory just automatically illuminates other discussions. Mises didn't necessarily have to do those discussions in *Human Action*, where he basically takes these insights and develops them further into other areas. So maybe Mises spreads himself a little thinly by tackling so many issues in *Human Action*. Maybe that's what Guido's trying to say? But I do disagree. *Human Action* is a tremendous piece of work because it stretches across such a vast area. It's the entire theory of economic science, and while *The Theory of Money and Credit* is really great, I do think that the older Mises is actually better.

JD: And as you point out he's so comfortable writing across disciplines like philosophy and history, so comfortable discussing a wide range of scholars. Nobody writes overarching treatises today. Academics have become hyperspecialized.

CD: Yes, it comes back to what we were saying about the PhDs. In the West, they push you for hyperspecialized areas of expertise before you've even gotten your PhD.

That's certainly not what Mises did. Mises studied Latin and rhetoric and ancient Greek when he was in secondary school. Then his PhD thesis and his habilitation thesis were real proper books, proper research projects. The reason Guido wants you to write 200 to 300 pages for your dissertation — and not just three papers, “on so and so” — is because with a true book-length project, one can go beyond just a single narrow topic.

Mises does this in *Human Action* too and what's even more striking is he assumes readers can follow him, so he won't put footnotes or explanatory notes or anything of the sort. He'll leave quotes in Latin untranslated, assuming everyone knows Latin. Or he'll use a phrase saying “it is very well known that Fisher's quantity theory of money is wrong.” In today's world you would expect a list of five citations following that kind of statement. But Mises just says it's well known and assumes he won't be challenged on it. Everyone knows!

JD: Imagine a brilliant 28 year-old PhD working at the Fed today, with an Ivy League pedigree but knowing nothing about classical languages or world history or philosophy. They're not an educated person in the Misesian sense.

CD: No, and I think it goes further beyond that. I remember back when I was a Mises Research Fellow, some students who were doing a PhD or a masters at the time were telling me that they had colleagues in their class who were extremely good at mathematics used in economics. But at the same time, those students didn't really know who Adam Smith or David Ricardo or David Hume were. And there are plenty of economics graduate students today who barely know who Irving Fisher was.

And this is a very common thing, which is why when I was trying to put together a program in economics here I had to fight to put in a couple of classes on the history of economic thought. The administration told me it's not a priority because it's not important according to the new academic standards. It's not included here in the standards, and it was implied that what we really need is more basic math because that's in the standards. It's very sad.

JD: It's just not taught anymore.

CD: No, it's considered old, just history, and in economics what's newer is better, allegedly. Why do we need to know that old stuff?

JD: In your intro to Mises's nine lectures you had a sentence which really sums up Mises on money:

The determination of the purchasing power of money is accomplished as part of the same market process that creates the structure of money prices and brings about the division of labor, thus making clear that monetary analysis must be an integral element of economic analysis.

CD: Mises explicitly denies that there's a significant distinction between the short run and long run. The long run is just a composite of short runs. There's no such thing as the economy in the short run and the economy in the long run. There's no such thing as the economy in the macro elements and the economy in the macro elements as two separate things. That's what Rothbard remembers primarily learning from Mises — that the economy is a coherent whole, it's one big structure. You can't study a part of it without other parts and you can't talk about prices unless you talk about money prices. This was Mises's whole point. Once you have, from direct exchange, a commonly accepted medium of exchange such as money, the barter prices that economists talk about don't exist anymore. They're just gone. They're not hidden somewhere. They're gone because in

order for a price to exist, a transaction needs to happen and there are no barter transactions anymore. There are just monetary transactions. So the only thing that actually exists are money prices and it's fascinating that economists will talk about the economy, still pretending there's such a thing as a barter economy with relative barter ratios. It's easier and a lot more mathematically elegant to do it with barter. That's why they do it. It's a lot messier if you try to put money in.

JD: A closing question about the term “Austrian economics,” the same question we asked of Joe Salerno. Is it a loose term of convenience to describe a body of thought with roots in Vienna, or is it a well-defined school based on praxeology and drawing inferences from premises? Is method what really distinguishes an Austrian from a general free-market economist? Is it useful or cumbersome to label yourself an Austrian economist?

CD: It hasn't really bothered me at all and I am aware of the debate. I do find it funny sometimes that people like to make sure that whatever they're calling themselves or whatever label they put on themselves is a quite accurate label. Mises never referred to it necessarily as Austrian economics other than in the historical sense. But in general every time Mises writes, he just says “economics” or “economist” and that's pretty much how I've always referred to myself. I don't think I've ever used for myself the term Austrian economist. I've just called myself an economist because if you do accept that whatever Mises or the Austrian economists or the Austrian school teaches you is actual truth, then it's just economics.

If what Mises writes in *Human Action* on the praxeological approach is the true approach, is the right approach, then there's no point in calling yourself something other than an economist. Maybe the mainstream economists should call themselves something different! I never felt the need to distinguish myself in that way, because I've always thought the whole point is to reveal the truth of economic science, the way Dr. Salerno talks about economics as a vocation or as a profession. If you understand it as a vocation, it's all about figuring out the truth in the science of economics and then you're an economist and that's it. That's what Mises was and that's what Rothbard was. ■■■

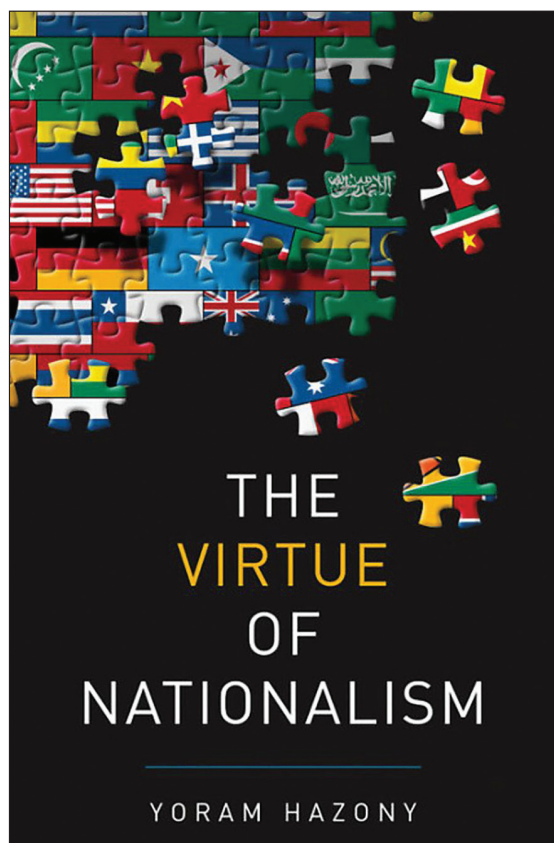


WHAT MISES COULD TEACH TODAY'S NATIONALISTS

DAVID GORDON

REVIEWS

The Virtue of Nationalism
Yoram Hazony
Basic Books, 2018
285 + vii pages



Yoram Hazony is a thinker of great originality, and in *The Virtue of Nationalism*, he enables us to see nationalism in a new way. He is not a libertarian, but his way of looking at nationalism can be of great value to libertarians in understanding how our views should be applied to the world in practice.

Hazony is not only a political theorist but a theologian as well, and it is his understanding of the Hebrew Bible that provides the key to how he sees nationalism. Many people today, having in mind the wars of the twentieth century, think of nationalism as aggressive and expansionist. In contrast to this common account, nationalism to Hazony is not aggressive but defensive. It reflects a desire by a people to live in accord with its own laws and customs, unmolested by others. It seeks not to force its ways on others but rather to secure a space for a particular people.

Hazony puts the matter in this way: “The *nationalism* I grew up with is a principled standpoint that regards the world as governed best when nations are able to chart their own independent course, cultivating their own traditions and pursuing their own interests without interference.”

Nationalism in this sense is not a modern development. “By *nation*, I mean a number of tribes with a common language or religion, and a past history of acting as a body for the common defense and other large-scale enterprises. The Bible systematically promotes the idea that the members of a nation should regard one another as ‘brothers,’ and Mosaic law offered the Israelites a constitution that would bring them together in what today would be called a *national state*. ... Throughout the Bible, we find that the political aspiration of the prophets of Israel is not empire but a free and unified nation living in justice and peace among other free nations.” In viewing the origin of nationalism in this way, Hazony has been influenced by

Steven Grosby, “whose own work on nationalism and its relationship with the Jewish Bible has long been an inspiration to me.” Grosby was a close associate of the great sociologist Edward Shils and is the author of the important work *Biblical Ideas of Nationality*.

To forestall an objection, Hazony is immune to challenges to the justice of the conquest of Canaan. (For an example of such objections, see Nicholas Wolterstorff, “Reading Joshua” in Michael Bergmann *et al*, eds., *Divine Evil? The Moral Character of the God of Abraham*, Eerdmans, 2013) He is concerned with what a state does once it is established, not how it came about.

Hazony’s depiction of the Biblical ideal is not merely of antiquarian interest. He holds that this ideal has been influential in the development of modern nationalism, especially since the Protestant Reformation. “Especially under the influence of the Old Testament-oriented thinkers such as Ulrich Zwingli and John Calvin, Protestantism embraced and quickly became tied to the unique national traditions of peoples chafing against ideas and institutions that they regarded as foreign to them.” After the Treaty of Westphalia in 1648, the “political life of Europe was rebuilt upon two principles” based on the Old Testament: a moral minimum required for legitimate government and the right of national self-determination. With characteristic erudition, Hazony notes that despite the changes of the Westphalian settlement, the three treaties preserve the old language of the *respublica Christiana* [“world Christian republic”].

Hazony sharply contrasts nationalism with imperialism: “For centuries, the politics of western nations have been characterized by a struggle between two antithetical visions of world order: an order of free and independent nations, each pursuing the political good in accordance with its own traditions and understanding; and an order of peoples united under a single regime of law, promulgated and maintained by a single supranational authority.”

Why should we favor nationalism rather than imperialism? Hazony maintains that “small institutions like the family or the squad, consisting of individuals bound together by mutual loyalties developed over long years of shared hardship and triumph, are the bedrock of all political order. It is out of such small units that larger-scale political institutions of every kind are built. ... The mutual loyalty of individuals to one another is the most powerful force operative in the political realm. Feelings of mutual loyalty pull individuals tightly together, forming them into families, clans, tribes, and nations.” Given these facts, it is not surprising that people resent being brought under the domination of empire, however benevolent its professed intentions.

Is Hazony here vulnerable to an objection? He has characterized nationalism as self-determination and imperialism as rule over others. Is he guilty of an argument from definition, in that a country that aggresses against other nations is at once transferred from the national to imperial camp? He has the resources to



counter this objection. He argues that European nationalism was in fact based on mutual respect for other nationalities, rather than on a drive for domination. His contention, then, is not a matter of definition but rather one of fact. He points out, e.g., that the great eighteenth-century theorist of nationalism J.G. Herder “describes the imperial state as nothing other than a ‘curse’ to all involved.”

In his criticism of imperialism, Hazony comments with great insight on the origins of World War I: “The

astonishingly aggressive expansion of the British and French empires led many — especially in Germany — to conclude that the era of the European national-state system had in effect come to an end. ... This seems to have been Kaiser Wilhelm’s view.”

It is fundamental to Hazony’s perspective that a nation ought for the most part not to interfere with the policies of other nations, even if these policies violate its own ideals. Hazony does not exempt from this stricture his own ideal of national self-determination. Woodrow Wilson ignored this vital point: “The best political order that is known to us is an order of independent national states. This is not to say, however, that every nation has a right to be independent. In sug-

gesting that national aspirations would be respected, and that no people would be governed against its will, Wilson ... was asserting a right of peoples not to be governed against their will, and therefore an obligation, to be borne by others, to guarantee this outcome. ... But the world of nations is not so clear-cut. Nor are there remotely sufficient resources available for granting such



a universal right in every case where a plausible case can be made.”

Hazony’s argument has a very direct implication for libertarians. We have no duty to force other nations to adopt libertarian principles, however desirable it would be were they freely to choose to do so. Libertarianism depends on persuasion: it is not a patent medicine to be forced down the throat of others. Contrary to its critics, e.g., Quinn Slobodian, whose *Globalists* we reviewed in an earlier issue of *The Austrian*, libertarianism is not a program of compulsory globalization.

Unfortunately, Hazony fails to see this. He takes the classical liberalism of Mises and Hayek to be a prime example of the universalizing ideologies he deplores. He quotes Mises to this effect: “liberal thinking must permeate all nations, liberal principles must pervade all political institutions, if the prerequisites of peace are to be created and the causes of war eliminated.” He comments: “Although Mises states the demand for an ‘unqualified acceptance of liberalism’ by every nation and every political institution in the world in stark terms, the aspiration he expresses represents what is by now an entirely conventional liberal standpoint.”

Mises did indeed think that all nations should favor the free market, but he by no means favored imposing classical liberal policies on nations that disdained his advice. He did not, like Rousseau, wish to force people to be free. To the contrary, he speaks favorably of a

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primary text of nineteenth-century nationalism, Renan's essay *What Is a Nation?* It is clear from what he says that he supports Renan's brand of voluntary nationalism. "When Renan asks: What is a nation? he means: What should determine the boundaries of the various states? And his answer is: Not the linguistic community, not the racial kinship founded on parentage from common ancestors, not religious congeniality, not the harmony of economic interests, not geographical or strategical considerations, but—the right of the population to determine its own destiny. The nation is the outcome of the will of human beings to live together in one state. The greater part of the lecture is devoted to showing how this spirit of nationality originates.

The nation is a soul, a moral principle (*'une âme, un principe spirituel'*). A nation, says Renan, daily confirms its existence by manifesting its will to political coöperation within the same state; a daily repeated plebiscite, as it were." (Mises, *Omnipotent Government*)

It is unlikely that Hazony would accept this response. Even if he were to acknowledge that Mises did not

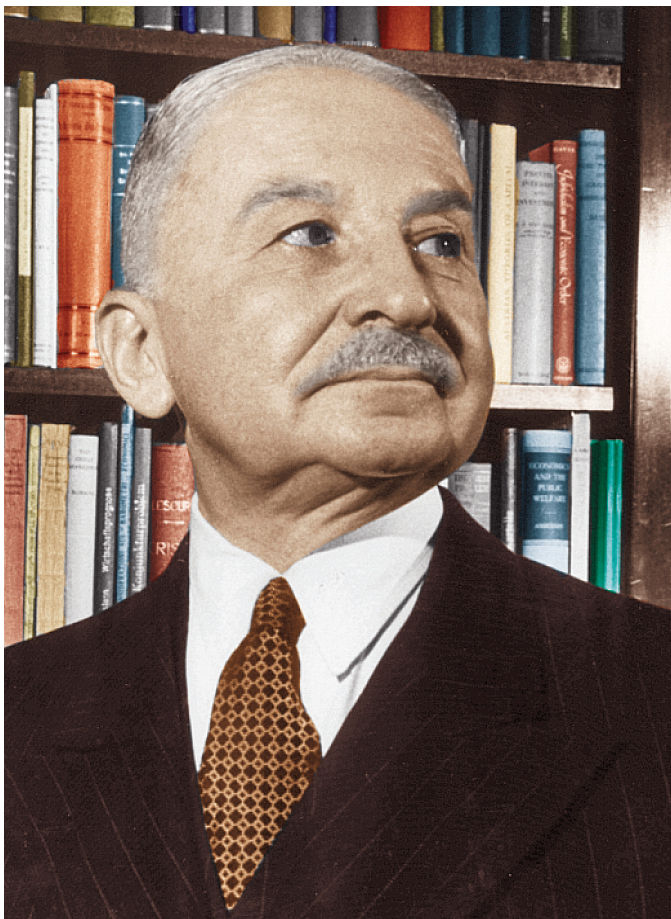
support globalization at gunpoint, he would claim that the claim of liberalism to universally valid principles is false. Rights depend on particular historical circumstances. Hazony, who is philosophically an empiricist, traces the error of classical liberalism to the moral rationalism of its seventeenth-century progenitor John Locke.

In moral theory, Locke wrongly abandoned empiricism for rationalism: "Locke is known as an empiricist ... [but] his *Second Treatise on Government* is not, however, an ... effort to bring an empirical standpoint to the theory of the state. Locke was one of the few political writers of his time who did not argue on the basis of historical experience."

It would be superficial to reply that Mises founded his defense of the market on its good consequences; he did not believe in rationalistically derived rights any more than Hazony does. A deeper response requires attention to the details of arguments for libertarian rights. What exactly is wrong with them? It does not suffice to dismiss them because they are not in accord with one's favored philosophical methodology, in Hazony's case empiricism in the style of David Hume.

Even where one disagrees, though, Hazony's discussion is instructive. He tells us, e.g., that Edmund Burke declared "on the floor of Parliament that of all books ever written, the *Second Treatise* [by Locke] was 'one of the worst.'" *The Virtue of Nationalism* is filled with striking details that display Hazony's learning to full advantage. ■■■

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

A SYMPOSIUM ON ALTERNATIVE MEDIA *with Ron Paul*



***Why is the Mises Institute, which is dedicated to talking about economics and liberty, having a conference on media?
The answer is that I don't think liberty or economic science can advance without truth.***

— Jeff Deist



Ron Paul and Daniel McAdams

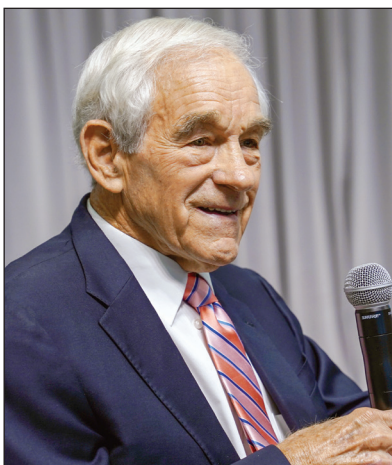
It was great to be back in Ron Paul's hometown of Lake Jackson, Texas, for an event on the importance of alternative media in the fight against the state. Thanks to the great generosity of Chris Condon and TJ and Ida Goss, we were joined by friends from all over to hear from an expert panel on such an important topic — particularly in a chilling age of growing censorship.

As Jeff Deist explained at the start of the event, what the mainstream media offers its viewer isn't the truth — it's a show. The purpose isn't to inform, but to entertain and often distract from a reality that rarely fits the agenda of those in power.

This is why antiwar voices, such as Scott Horton and Daniel McAdams, are often silenced. Why truth-tellers like Lew Rockwell are sidelined in favor of court intellectuals. And why political figures, like Dr. Paul and Debra Medina, that pose a genuine threat to established powers are either attacked for being on the "fringe," or simply ignored outright.

Luckily we've seen that while the mainstream media may not be interested in the truth, people are. This is why building and preserving alternative media outlets has been so important to the spread of liberty, and why the Mises Institute continues to be one of the most read economic websites in the world.

We remain more committed than ever in producing uncompromising content of all kinds, because now more than ever, the world needs the ideas of Mises, Rothbard, and the rest of the Austrian school of economics.



From left: Ron Paul, Scott Horton, and Debra Medina

2019 Coming Events

January 17–20	Mises Institute at LibertyCon; Washington, DC
February 16	Mises Institute in Orlando, FL
March 22–23	Austrian Economics Research Conference; Mises Institute
April 6	Mises Institute at Loyola University, New Orleans, LA
May TBA	Mises Institute in Seattle, WA
June 2–7	Rothbard Graduate Seminar; Mises Institute
July 14–20	Mises University; Mises Institute
September 7	Libertarian Scholars Conference; New York, NY
October 11–12	Supporters Summit; Los Angeles, CA
November 9	Symposium with Ron Paul; Lake Jackson, TX

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CORRECTION

In the November-December issue of *The Austrian*, the interview with Lew Rockwell incorrectly stated that economist Arthur Burns was a faculty member at New York University. Burns was, in fact, a faculty member at Columbia University.

The Austrian

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