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THE AUSTRIAN

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THE WRONG WAY AND THE RIGHT WAY TO FIX THE FED

by Joseph T. Salerno

SELECTIONS FROM THE END OF THE DOLLAR ERA

Supporters Summit

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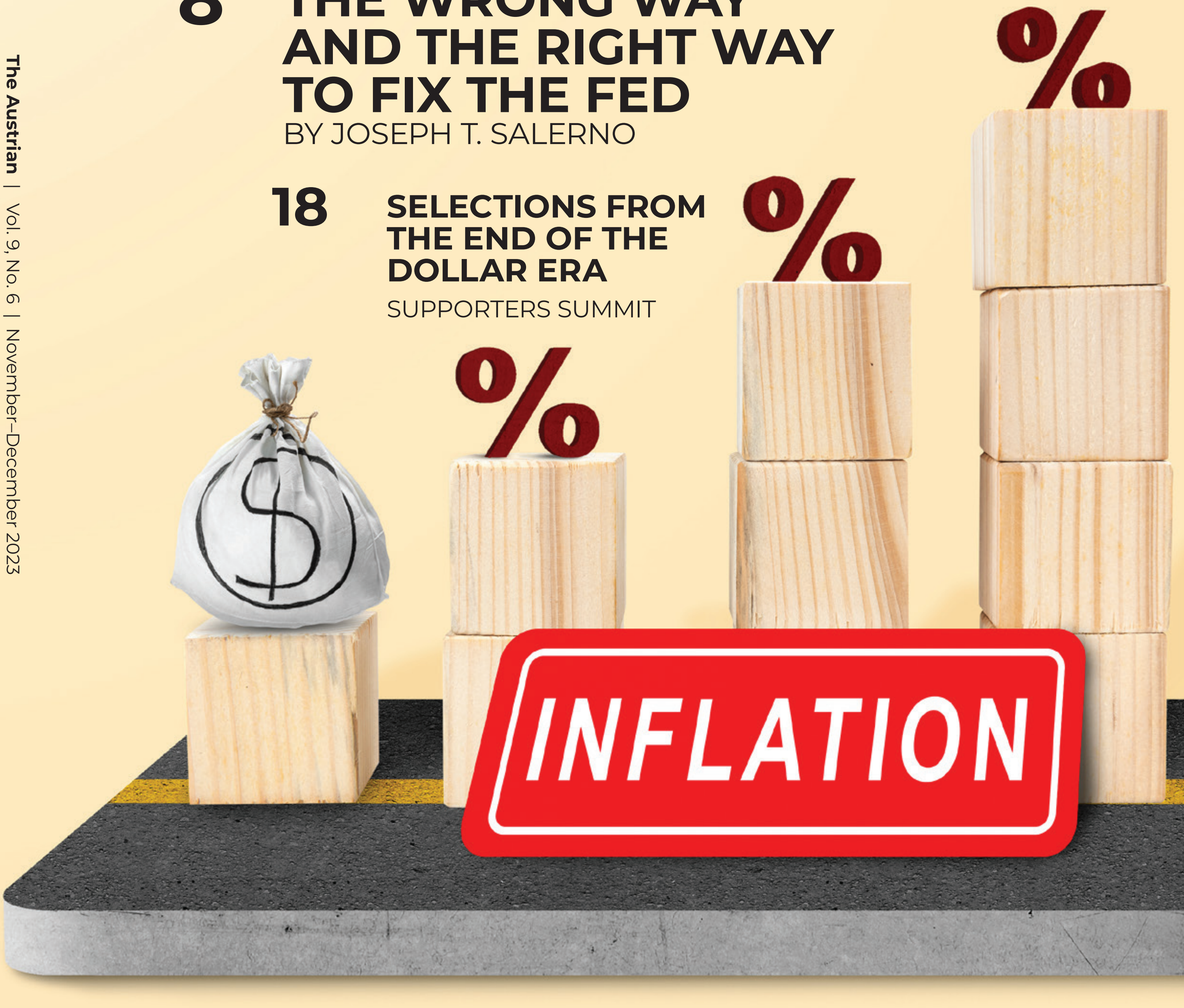

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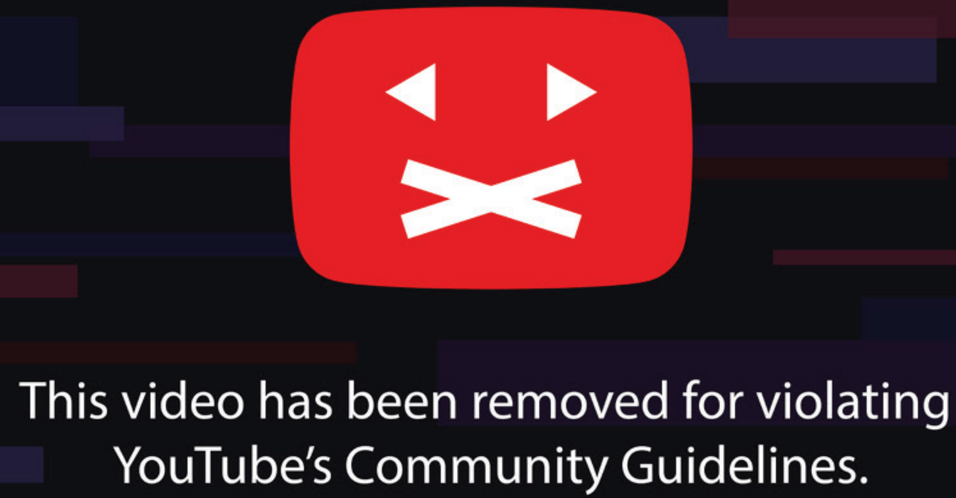


YOUTUBE SUSPENDS MISES MEDIA CHANNEL FOR DR. MCCULLOUGH VIDEO

On Thursday, November 16, YouTube, the dominant video platform owned by Google, informed the Mises Institute that our Mises Media YouTube channel would be suspended for seven days due to two new content strikes, one for an unlisted version of Dr. Naomi Wolf's Supporters Summit address and the other for a talk by Dr. Peter McCullough titled "Modern Medicine's Great Controversy," which had over 100,000 views.

None of this is a surprise. The Mises Institute has long been aware that our content is a threat to many of the narratives that social media companies favor. In the past, we've had videos demonetized for criticizing foreign policy. Our first video taken down by YouTube was a lecture by Tom Woods on the lies used to justify covid tyranny that had over 1.5 million views. These recent videos are a reminder that the censorship regime continues its aggressive battle against the issue of medical freedom and free speech.

This is a good time to remind our Members that we post all of our video content on many alternative media sites, including Rumble, Bitchute, and Odysee. Given the SEC's attack on crypto-based media platforms, including its legal assault on Odysee's parent company, Lbry, Rumble may be one of the better platforms for consuming Mises Media video content.

This is also why subscribing to the Mises Institute's email list is so important. With social media's ability to throttle content, particularly on Facebook, the ability to directly connect with our Members is more important than ever before. As Jonathan Newman recently noted in his *Power & Market* post "Google Search Results Exclude Mises Wire Articles," even Google searches are being manipulated to make it harder to reach our content.

The ideas of the Mises Institute and our fight for truth make our content a target for Big Tech. We want to thank our donors who make the fight against tyranny in all its forms possible. ■

From the Editor

The Mises Institute is different. We don't change our positions or our ideology to match the current zeitgeist. Rather, we're in it for the long haul. Our business is to change the minds of both scholars and the general public. Victory in the battle of ideas doesn't begin in legislative committee rooms. It begins in classrooms and living rooms.

To achieve this goal, it's important to not sacrifice consistency to score some short-term and fleeting victories. This is why the Mises Institute hasn't changed its core positions in the forty-plus years of its existence. Today we're just as opposed to the state, its socialism, and its wars as we were when Lew Rockwell founded the Institute decades ago.

One of the specific positions that *really* sets us apart in this way is our relentless opposition to central banks and government money. Thanks to the groundbreaking research of Murray Rothbard on banking, money, the Federal Reserve, and the Great Depression, we also have a sizable scholarly arsenal with which to fight the fiat-money regime.

The message is working, too. Over the past thirty years, the Fed has suffered repeated blows to its reputation. Ron Paul's presidential campaigns brought the idea of ending the Fed to millions of Americans. By 2011, the Fed was worrying about public relations and putting on regular press conferences. Since the return of forty-year highs in price inflation, Fed chairman Jerome Powell is regarded with suspicion when he offers his latest word salad on the state of the economy. What's more, discussion about the weakness and future of the dollar has gone mainstream. Gone is the fantasy that the Fed technocrats have everything under control.

True to this unchanging mission, this year's Supporter's Summit in Auburn featured an abundance of top speakers covering the history and future of fiat money and central banks. These topics included the history of the dollar, Bretton Woods, reserve currencies, price inflation, the cultural impact of the dollar, and fractional-reserve banking. If you were unable to attend, all of the talks are available on mises.org.

But first take a look at this issue of *The Austrian*. We've included a summary of many of the talks plus photos from the Summit itself.

This issue's featured article is by Academic Vice President Joseph Salerno. It exposes the phony debate over fiat money and policy "rules" at the Federal Reserve. For years, many defenders of the Fed have told us that we can fix central banking with special rules for when the Fed should ease or tighten the money supply. The famous Taylor rule is an example. Dr. Salerno shows that this doesn't solve the problem at all and may actually make things worse. What really has to change is how central bankers view easy money. Central bankers do so much damage because they have bad ideas.

Readers will also find in these pages two new book reviews by the inimitable David Gordon covering economic inequality, Marxism, and the Cold War. Dr. Gordon highlights the insights and errors of these books in a way few can.

This year has been packed with academic programs, new students, and events, so look inside for a year-end review and the latest news. I'm also happy to pass along some exciting news: the Mises Institute has named Dr. Thomas DiLorenzo as our new president. Tom has been a perennial audience favorite at our seminars and events, and his commitment to rigor and consistency in defending peace, freedom, and free markets is strong. The Institute continues forward in good hands.

Come January, this publication will have a new name: *The Misesian*. We feel the new name better honors the Institute's namesake and his commitment to a radical vision of freedom.

As always, we appreciate everything you do for the Mises Institute and our mission. ■

RYAN McMAKEN

Ryan McMaken is executive editor of mises.org and editor of *The Austrian*.

From the New President

In the US the "retirement age" was yet another attempt by the FDR administration to blame the unemployment of the Great Depression on anything but the Fed and FDR's avalanche of job-destroying taxes and regulations such as minimum-wage and maximum-hour laws, empowering unions with special-interest legislation, paying or forcing farmers to quit farming, organizing the entire manufacturing economy as a collection of government-enforced cartels with diminished production and government-mandated price floors, historic tax increases, the politicization of capital markets, and much worse. Most of the high unemployment among people under sixty, said FDR, had nothing to do with any of this but with older people's selfish refusal to quit working. They needed to be bribed to quit, he said, which was the purpose of "Social Security." Eleanor Roosevelt chimed in that "it means so much" for older people "to sit in the same chair [they]'ve sat in for a great many years." And to think that Americans of FDR's generation used to ridicule Soviet central planners for *their* harebrained ideas.

In reality, it was FDR's policies creating the biggest burst of government intervention in US history up to that point that caused a fifteen-year-long depression that did not end until World War II was over, the army was largely demobilized, and the federal budget was cut by two-thirds.

Naturally, I never intended to be a good little obedient Rooseveltian and retire to the beach and the golf course the minute I turned sixty-five (not that there's anything wrong with that). The combination of university wokeness verging on insanity and a very generous buyout for senior faculty by my former employer induced me to leave academe in 2020. (I would have been fired a few months later anyway, as my former employer announced that any employee who did not take all of the covid jabs would be immediately terminated regardless of tenure).

THOMAS J. DILORENZO

Thomas J. DiLorenzo is president of the Mises Institute.

It is the honor of a lifetime to be entrusted to continue the mission of the Mises Institute that Lew Rockwell and Murray Rothbard started forty-one years ago.

I wrote two books in my first two years of "retirement," taught some online courses, appeared on podcasts, continued to write articles and give public lectures, and of course played some golf and went to the beach once or twice. All during this time I had a feeling that forty-one years of human capital accumulation as an economics professor, public speaker, and author were being wasted. Then, as though the hand of God had reached out to me, the Mises Institute began looking for a new president. I have been associated with the Institute almost from its very beginning and have always considered it to be my intellectual home, far more than any university economics department I have been associated with, including George Mason's. Older Mises University faculty like myself have long called Auburn and the Mises Institute our Mecca.

I'm sure there were many extremely well-qualified candidates for the job of Mises Institute president. Personally, I was motivated by a compulsion to ensure that the Misesian-Rothbardian tradition of the Austrian School continued to thrive and that the great work of the Institute that began with Lew Rockwell's founding forty-one years ago would continue and become more important than ever. And indeed it is. We see the socialist "destructionism," as Mises called it, occurring all over the world, right before our eyes, day in and day out. Western civilization itself will be destroyed if there is no remnant to "save the books," as my grad school professor and onetime George Mason colleague, Nobel laureate James Buchanan, once described what he thought much of his work with the Center for Study of Public Choice was attempting to achieve. Among the greatest and most important of the books that need to be not only saved but brought to the attention of future generations are the master works of the Austrian tradition. Moreover, with all of the cyber censorship of the ideas of freedom that is occurring, it is also as important as ever to protect and expand our digital space, as the Institute has been doing with its online programs for so many years—and will continue to do.

The market is a dynamic discovery process, and I intend to give the faculty and staff of the Mises Institute the freedom and incentives to continue to discover more creative ways to carry on the Rothbardian-Misesian mission of scholarship, education, and outreach. Unlike the old days when I first became associated with the Mises Institute, we now have an incredibly large stable of highly educated and talented academics and professionals all over the world who write, speak, and educate their fellow citizens about the virtues of freedom over tyranny, the virtues of economic freedom over socialist hell, and the culture of ideas that is necessary to hold civilization together. I hope to make greater use of this incredible store of talent.

All of the programs of the Mises Institute are currently running very smoothly thanks to the relentlessly hard work and heroic efforts of the donors, the faculty, and the staff of the Institute. I intend to put those forty-one years and counting of human capital accumulation to work in expanding the impact of all our publications, events, and programs, the most exciting of which at this moment is the new documentary on the Fed, which is in the already in production.

If *End the Fed* becomes not just a slogan but a reality, it will seem rather uncontroversial to end, say, the department of centrally planned education, the department of centrally planned energy, the department of centrally planned "environmental protection," etc. But of course a shortcut to that would be peaceful secession, or "national divorce," another topic that was addressed by the Mises Institute, and hardly anyone else in decades past and deserves more attention now than ever.

It is the honor of a lifetime to be entrusted to continue the mission of the Mises Institute that Lew Rockwell and Murray Rothbard started forty-one years ago. I will be thinking of Murray every day as his portrait looks down on me in my Institute office while we continue the work of his intellectual mentor and inspiration, Ludwig von Mises. ■

The WRONG WAY and the RIGHT WAY to FIX THE FED

Joseph T. Salerno

Joseph T. Salerno is Academic Vice President of the Mises Institute. He is the Peterson-Luddy Chair in Austrian Economics at the Mises Institute and holds the John Denson II Endowed Professorship in the economics department at Auburn University. He is the editor of the Quarterly Journal of Austrian Economics. *He has published over seventy articles and essays in refereed journals and scholarly books. He is the author of* Money: Sound and Unsound *and his most recent book is* The Austrian School of Economics in the 22st Century: Evolution and Impact. *He has testified before Congress and lectures frequently in the US and internationally. He has appeared on Bloomberg radio, C-SPAN, Fox News, Fox Business Network, New York Lawline, and RT television.*

This article is an excerpt from his lecture "The Phony Debate on Fiat Money: Rules versus Discretion" presented at the 2023 Supporters Summit in Auburn.

Monetary Policy as Inflationism

Today all governments and central banks operate under the ideology of inflationism. The underlying principle of inflationism is that the quantity and purchasing power of money determined by the free market leads to deflation, recession, and unemployment in the economy. The inflationist ideology is therefore embedded in the very concept of monetary policy, which can be defined as an increase in the supply of money aimed at lowering the purchasing power below the level determined by market forces. In other words, the purpose of monetary policy is perpetual inflation of money and prices.

For the past sixty years there has been a great debate about monetary policy. Some economists argue that monetary policy should be left to the discretion of expert central bankers who are free to adjust their decisions and actions to actual or anticipated changes in the economic situation. Their opponents argue that monetary policy should be dictated by a legislated rule that constrains the actions of the money printers.

Lately even some Austrian-oriented economists have adopted the position that, under a fiat-money system, legislated monetary policy rules are superior to bureaucratic discretion in providing the proper timing and expansion of the money supply. They argue that

The purpose of monetary policy is perpetual inflation of money and prices.

The real and meaningful debate about money is not technical but ideological: inflationism versus anti-inflationism.

policy rules resolve the problems that plague central bankers trying to decide when and how much to expand the money supply, such as a lack of knowledge, distorted incentives, and inconsistency in their own preferences. But their arguments miss the point. It is not the formula or procedure for creating money but the very fact of doing so that inevitably drives up prices and distorts market outcomes.

Furthermore, all monetary policy rules are arbitrary and inefficient because they do not take account of market prices. Under the gold standard, the quantity, purchasing power, and distribution of money are determined not by the discretion of bureaucrats or by artificial rules but by what Mises called “inexorable economic law.” On the free market, money production is carried out by entrepreneurs risking their own capital based on economic calculation using market prices. Unlike central bankers, their decisions in producing money are disciplined by the profit-and-loss mechanism, which tends to ensure that the supply of money is optimal at any point in time.

The debate over rules versus discretion is therefore meaningless. Both approaches aim at establishing a purchasing power of money that is lower than what would be established by the supply of and demand for money on the market.

In fact, I believe that rules-based monetary policy is inferior to discretionary policy because not only does it not constrain inflation, but it also normalizes and institutionalizes it. This is precisely what the inflation-targeting rule followed by the Fed does and is intended to do. The same is true of other popular rules such as the Taylor rule, the nominal gross domestic product (GDP) targeting rule, and Milton Friedman’s original rule for an annual fixed-percentage increase in the money supply.

Assuming that we are stuck with the existing fiat-money system and will be for the foreseeable

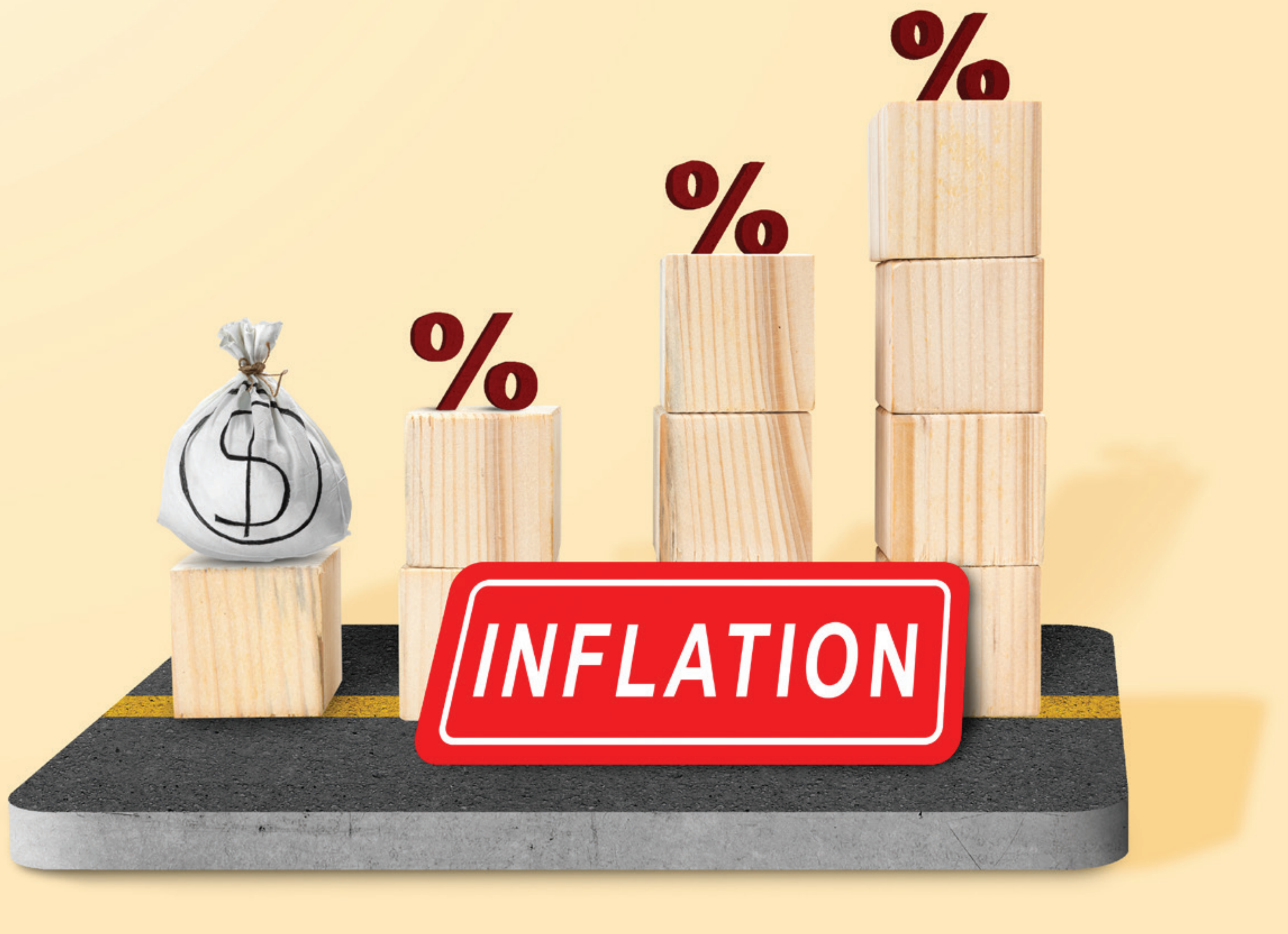
Any monetary system in which politics plays a decisive role will be operated according to the ideology of government officials subject to the pressure of public opinion.

future, is there any way to curb the inflationary appetite of governments and their central banks? The answer is yes; and the solution does not lie in the technical jargon of monetary policy rules that merely offer alternative formulas for inflating the money supply. The answer lies in radically changing the ideology of bureaucratic decision makers and their political masters. As I will argue, the real and meaningful debate about money is not technical but ideological: inflationism versus anti-inflationism.

As Ludwig von Mises pointed out, any monetary system in which politics plays a decisive role will be operated according to the ideology of government officials subject to the pressure of public opinion. Take for example the old gold-exchange standard, in which gold coins did not circulate but a nation's paper currency was convertible at a fixed exchange rate into a foreign currency redeemable in gold at a fixed price. This system first came into being in the late nineteenth century in European colonies such as the Dutch East Indies and India and around the turn of the century in the Philippines, Japan, and Mexico. Despite the enormous power to inflate that this system placed in the hands of the colonial administrators and central bankers, the system worked reasonably well because governments and the public were still imbued with the liberal ideology underlying the classical gold standard. However, proinflationist ideas began to take hold among economists and intellectuals and spread to policymakers and the public after World War I. This enabled politicians to use the gold exchange standard as an engine of inflation to destroy the classical gold standard.

As Mises wrote in 1949, "One must not exaggerate the role that the gold exchange standard played in the inflationary ventures of the last decades. The main factor was the proinflationary ideology. The gold exchange standard was merely a convenient vehicle for the realization of the inflationary plans."

In the United States during the Great Depression, the proinflationist ideology grew so powerful and irresistible that it also swept away the classical gold standard in one fell swoop. On April 5, 1933, the Roosevelt administration violated the rule of the US Constitution and the laws of property by confiscating all gold coins, gold bullion, and gold certificates owned by the American public under criminal penalty of a $10,000 fine, ten years in prison, or both.



Eisenhower had "come to see inflation as one of the most serious problems of the time [and] was concerned about the potential destructiveness of increasing prices on government programs, ordinary citizens, and business."

Ironically, there is reason for optimism in the sudden destruction of the gold standard, for it indicates the possibility of a rapid development of a radical anti-inflationist ideology among enough economists, policymakers, media commentators, and ordinary citizens to force the abandonment of inflationary monetary policy, even under a fiat-money regime. If such an ideological movement becomes strong enough, it may even prepare the way for a return to a market-based money such as gold.

Such an ideological about-face is not just idle speculation but has a precedent in recent history. The abrupt reversal of the inflationist ideology of the Roosevelt and Truman administrations occurred shortly after World War II and was one of the factors that caused Dwight D. Eisenhower to win the presidential election in 1952. With the removal of wartime price controls, the inflation rate spiked during the immediate postwar years, reaching 14.4 percent in 1947, falling back during the mild recession of 1949–50, and then shooting back up again in 1951.

The proper strategy is to design economic policies that are consistent with and do not undermine the individualist, private-property, free-market institutional framework.

With the American public anxious about the first peacetime inflation of this magnitude, Eisenhower adopted a strong anti-inflationist stance, even though he ran on a platform of Modern Republicanism, pledging not to undo New Deal welfare state programs and to actively intervene to prevent another catastrophic depression.

Once he took office, Eisenhower proved that his anti-inflationism was not empty campaign rhetoric. As the mainstream economic historian Kenneth Weiher vividly described:

"The consensus within the [Eisenhower] White House and the Congress listed inflation as economic public enemy No. 1. Indeed the decade of the 1950s was marked by a veritable obsession with inflation despite that the inflation rate never reached more than 3.6% after the Korean War. . . . Suffice it to say that Eisenhower's inflation fears were pandemic."

Eisenhower's aversion to inflation ran deep. McClenahan and Becker point out that as early as the late 1940s, Eisenhower had "come to see inflation as one of the most serious problems of the time [and] was concerned about the potential destructiveness of increasing prices on government programs, ordinary citizens, and business." Eisenhower's "pandemic fear" of inflation was reflected in two aspects of his administration: first, his choice of economic advisers and policymakers and, second, the policies of his administration during the two recessions that occurred during his second term in office.

Eisenhower's Economic Advisers and Policymakers

In his first term, Eisenhower appointed Arthur F. Burns the chairman of the Council of Economic Advisers (CEA). Eisenhower developed a close relationship with Burns, who has been called "the economics schoolmaster for President Eisenhower and his Administration." This is the same Arthur Burns who was to become the most notoriously inflationist chairman of the Federal Reserve of the twentieth century. However, at this point in his career Burns was an outspoken anti-Keynesian and staunch anti-inflationist. Burns's views on inflation during this period are contained in a book of lectures published in 1957.

Burns argued in this book that the "vast expansion of aggregate demand," or total spending, in the postwar years, especially on capital goods, "was facilitated by an unprecedented expansion of credit." At the time, many economists were arguing that the increases in wages achieved by labor unions and the pent-up consumer demand unleashed by the end of wartime price controls were responsible for driving up prices, generating inflationary expectations, and creating a vicious wage-price spiral. However, Burns blamed inflationist policies for the situation, writing, "This cumulative and interacting process of rising wages, rising prices, and rising economic activity has gone on since the end of the war under the sheltering umbrella of the monetary and fiscal policies of government." Burns was very concerned with the "threat of gradual or creeping inflation." In contrast to many economists then promoting creeping inflation as a means of stabilizing the economy and increasing economic growth, Burns wanted to "stop the updrift of the price level" dead in its tracks. He calculated that even an inflation rate of 1 percent per year would cut the purchasing power of a dollar by over 30 percent in twenty-five years, while an annual

It is never too early for a nation to realize that inflation cannot be considered as a way of life and that it is imperative to return to sound monetary policies.

inflation rate of 2 percent would diminish the purchasing power of the dollar by nearly 40 percent over the same period.

Burns argued that "creeping inflation has become a chronic feature of recent history and growing threat to the welfare of millions of people." This was because the political authorities treated episodes of recession as a much more serious problem than chronic inflation: "It is difficult to avoid the conclusion that government is not yet prepared to act as decisively to check inflation as it is to check recession. . . . [T]he attitude is apt to be that, while everything that is at all reasonable must be done to curb inflation, restrictive policies must not be applied on so vigorous a scale as to take any appreciable chance of bringing on or hastening a recession."

Burns looked forward to an aroused public "articulate enough to wring from Congress a declaration of policy that would have a moral force such as the Employment Act exercises with regard to unemployment." In effect, Burns was suggesting that Congress pass a law that charges the federal government with achieving a 0 percent inflation rate.

William McChesney Martin served as chairman of the Federal Reserve for almost twenty years, and the first half of his tenure encompassed the two Eisenhower administrations. Although initially appointed by President Harry Truman, he was reappointed twice by Eisenhower. With extensive experience on Wall Street, Martin viewed inflation as igniting speculative booms in asset prices that inevitably ended in crashes that could cause a severe economic recession. McClenahan and Becker summed up Martin's views on monetary policy as follows: "He was a hawk on inflation because it represented to him so much else that might be wrong in the economy." Martin's and Burns's "economic views were consonant" and Martin's "counsel [was] valued highly" by Eisenhower.

Burns left his post as chairman of the CEA after the election of 1956 to return to academia, and Eisenhower replaced him with Raymond J. Saulnier, an existing member of the council. Saulnier had regular, in-depth meetings with the president and "saw himself as part of a small team of advisers to the president." Saulnier was a well-regarded monetary and financial theorist who had published a probing work on the thought of the leading business-cycle theorists of the 1930s, including F.A. Hayek and John Maynard Keynes.

In a series of lectures published shortly after he left the Eisenhower administration, Saulnier expressed attitudes toward inflation very similar to those of Burns. He argued that economic policy should be governed by "responsible individualism," which he called "our paramount national purpose" and defined broadly as providing "the greatest possible opportunity for self-directed personal development and fulfillment consistent with the rights of others." For Saulnier, this national purpose is best achieved "in a society in which economic activity is carried out through the institutions of competitive, market-oriented enterprise, based on the institution of private property." Thus, the proper strategy is to design economic policies that are consistent with and do not undermine the individualist, private-property, free-market institutional framework.

Saulnier elaborated several "imperatives of economic policy," the most important of which was anti-inflationism: "No other policy will work. It is not possible for government policy to favor inflation. . . . [T]he reaction to an explicitly inflationary strategy of policy can spell nothing but disruption and a setback for the economy's growth. . . . Government must show, through visible evidences of policy, that it will take all reasonable steps in its power to prevent inflation."

The necessity for the government to demonstrate a commitment to anti-inflationism gives rise to Saulnier's second imperative of economic policy, which is an "essentially conservative" budget policy, featuring regular budget surpluses. As Saulnier argued: "If there is firm intent in government to resist inflationary tendencies, it will be evident in the budget, as will the absence of such an intent."

Saulnier's strategy of economic policy was based on his complete rejection of the Keynesian foundation of the proinflationist position: that full employment is incompatible with price stability. It is precisely because sustainable growth and price stability are "essentially complementary, rather than competitive . . . that a pro-inflationist position in economic policy matters is simply untenable. An inflationist policy is simply not a viable policy." For this reason, Saulnier was interested in amending the Employment Act of 1946 to "make a price stability goal explicit."

Eisenhower's Recession Policies

The economy suffered three recessions during Eisenhower's term in office. The ideology of anti-inflationism that pervaded the Eisenhower administration was clearly demonstrated in its pronouncements and policies especially during the last two recessions.

Both sympathetic and critical commentators recognize that the president's anti-inflationist attitudes substantially hardened during his second term. Eisenhower set the tone for the economic policy of his second term with a ringing declaration that he made in his State of the Union address of 1957: "In a prosperous period, the principal threat to the functioning of a free enterprise system is inflation."

McClenahan and Becker pointed out that early in his second term, the president "worried that his efforts to restrain spending were insufficient and concluded that his energy would have to be even more concentrated on preventing inflation than before. . . . To tame inflation, reduce federal debt, and balance the budget . . . Eisenhower concluded that he had to harden his positions on military and domestic spending."

His growing fear of inflation even caused Eisenhower to abandon his cherished goal of developing modern Republicanism, which called for moderate increases in domestic spending for education, public works, and welfare state programs inherited from the New Deal. It also motivated him to rein in the Pentagon's bloated and ever-growing defense budget. He demanded that the navy cut its program for building nuclear aircraft carriers by half and wanted to limit the acquisition of new missiles.

Inflationism is fundamentally an ideology and can only be defeated by the antithetical ideology of anti-inflationism.

Most important, Eisenhower flatly rejected the notion of countercyclical deficit spending that was being urged upon him by political friends and enemies alike during the two recessions that occurred during his second term.

It is especially noteworthy that Mises recognized the transition from the proinflationary policies and rhetoric of Roosevelt and Truman to the anti-inflationism of the Eisenhower administration not merely as a change in policy but as a radical change in ideology. In an article published in 1950, Mises wrote: "The [Truman] administration is firmly committed to a policy which is bound to lower more and more the purchasing power of the dollar, it has proclaimed unbalanced budgets and deficit spending as the first principle of public finance, as a new way of life. While hypocritically pretending to fight inflation, it has elevated boundless credit expansion and recklessly increasing the amount of money in circulation to the dignity of a central postulate of popular government and economic democracy."

But in 1958, Mises proclaimed, "It is never too late for a nation to realize that inflation cannot be considered as a way of life and that it is imperative to return to sound monetary policies. In recognition of these facts the Administration and the Federal Reserve Authorities some time ago discontinued the policy of progressive credit expansion."

McClenahan and Becker confirm that Eisenhower's growing aversion to inflation during the latter half of the 1950s shaped his administration's recession policy: "Worry about inflation guided Eisenhower's response to the two recessions (in 1957–58 and 1960–61) during the second administration. Concern about increasing levels of spending and budget deficits shaped the White House's cautious approach to combating the downturns."

The US economy slipped into recession in mid-1957, causing the unemployment rate to spike from 4.3 percent to a high of 7.5 percent in April 1958 and averaging 6.8 percent for 1958. Although many economists called for a tax cut in 1958, the administration resisted out of fear of creating a deficit. Eisenhower also rejected two proposals for public works projects drawn up by his own CEA staff. He trusted that the operation of market processes would cure the recession faster than initiating new public works projects. At a presidential news conference during the depth of the recession, Eisenhower flatly stated: "I don't believe that for one second, with minor exceptions, that any additional public works to be decided upon, brought into the appropriations picture and finally built . . . will do anything for this present recession."

Mainstream, revisionist, and left-wing economic historians agree in retrospect that the economy under the Eisenhower administration performed very well in terms of price inflation, recessions, and long-term growth. According to Weiher, "it is hard to find much fault with the economy's performance in the 1950s, especially when we view it from the perspective of the 1990s. By virtually every current standard, the economy's performance was satisfactory to outstanding. . . . The economy did not stray far from a full-employment / stable price state. The private economy was fundamentally sound and required little intervention."

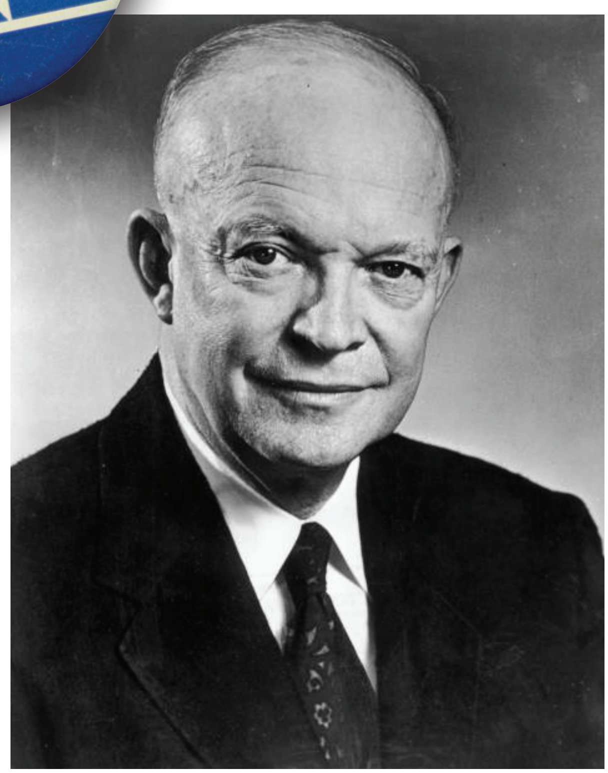
Their in-depth revisionist study of the economic ideology and policy of the Eisenhower administration led McClenahan and Becker to conclude: "During his two terms, Eisenhower's policies led to dramatic declines in defense spending, increased fiscal restraint, and generally low inflation. . . . Eisenhower appears much more informed, determined, and indeed visionary than he was given credit for in the 1950s and immediately thereafter. His record in economic policy compares favorably to that of those who occupied the White House since 1961. . . . The president had made a strong case for the dangers of persistent inflation, a new problem that many professional economists, politicians, businessmen, and the public had paid little attention to before."

Even left-wing economic historian Anthony Campagna grudgingly conceded Eisenhower's successes: "In retrospect the recessions turned out to be mild ones but not because of enlightened economic policies. Thus the administration was lucky in that its policies do not appear to have hampered the recoveries, and it could claim credit for not overreacting. . . . Concern for inflation, balanced budgets and balances of payments all converged to give the administration an excuse for doing what it wanted to do anyway—as little as possible. . . . How successful was it in this endeavor? Judging from the lack of pressure to change them, the administration's economic policies must be judged at least partially successful."

Conclusion

It is not my purpose to justify the macroeconomic policies of the Eisenhower administration or to argue that Austrian economists commend or recommend them. My intent is simply to demonstrate with a historical case study Mises's point that inflationism is fundamentally an ideology and can only be defeated by the antithetical ideology of anti-inflationism. Monetary policy rules that specify the conditions under which the money supply should be increased—and the purchasing power of money continually reduced—institutionalize the inflationist ideology and, therefore, promote rather than prevent cyclical fluctuations. Inflation will not be reversed until a change in public opinion brings forth politicians who viscerally as well as intellectually embrace the anti-inflationist ideology. And public opinion will not change until the public pays heed to the message continually beamed out by the Mises Institute, the only consistently anti-inflationist educational organization in today's world.

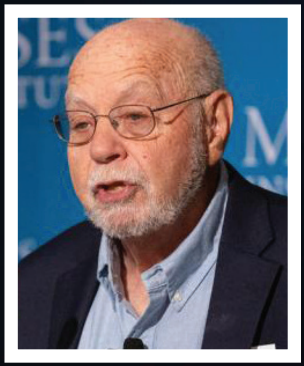
That said: I Like Ike. ■



SELECTIONS FROM

THE END OF THE DOLLAR ERA

In October, the Mises Institute's Supporters Summit was dedicated to one of the most important issues of our times: the end of the dollar era. The event featured keynote speeches by Dr. Naomi Wolf, David Stockman, and Dr. Jörg Guido Hülsmann on the crimes of the regime's medical tyranny, the fiscal insolvency promoted by Washington's uniparty, and the cultural costs of a debt-financed economy. The Summit also brought together some of our most distinguished faculty, who addressed the costly failures of American monetary policy, the risks posed by the Federal Reserve's plans, and questions for a future monetary system. Enjoy excerpts from some of these important lectures.



GOVERNMENT-MANAGED DIGITAL CURRENCY: A FURTHER THREAT TO OUR FREEDOM by Paul Gottfried

Whatever the modern self-described liberal democratic administrative state claims to be doing in the name of disadvantaged people is intended primarily and perhaps exclusively to increase government control. Further, whenever the same regime purports to be making our lives more comfortable, more agreeable, we may assume that our freedom and property rights are under assault.

Therefore, when I read about an executive order issued by the Biden administration last year regarding a plan for digital currency, I naturally suspected something quite dire.

The attempt to present central bank digital currencies (CBDC) as a courtesy that the state will be providing grateful citizens is patent nonsense. The government's digital currency issued through central banks will more likely help concentrate financial activity in the hands of the state. Government officials will then drone on about equity while extending electronic credit to some but not others. This will have the predictable effect of creating clandestine financial activity.

The cheerleading for this innovation is coming from the White House and from progressive legislators like Maxine Waters. Waters, in particular, seems dazzled by how expeditiously the Chinese are moving beyond their one-time dependence on paper money while centralizing all financial activities in the hands of the state.

Since worst-case scenarios usually turn out to be true when we're talking about public administration, whose officials, as we know, vote overwhelmingly for the Left and the extension of public control, we can understand why this cheerleading is coming from a leftist legislator. Waters and other congressional advocates of CBDCs have taken the side whither their politics would drive them.

For the rest of us, however, it may be good to keep in mind, with regard to government-run digital currency, what Ronald Reagan once declared to be the most frightening words in the English language. They are, I've come from the government, and I'm here to help you.

CENTRAL BANK DIGITAL CURRENCIES: THE LAST BATTLE IN THE WAR ON CASH with Jonathan Newman

When it comes to a central bank digital currency (CBDC), there really is a lot of guesswork. We won't know what it will look like or what the full effects will be until or if one is implemented. That's why so much of the technocratic chatter about a CBDC is a complex web of pros and cons and ifs and thens and elses.

I want to read a short passage from Murray Rothbard's *For a New Liberty*: "There were two critically important changes in the philosophy and ideology of classical liberalism which both exemplified and contributed to its decay as a vital, progressive, and radical force in the Western world. The first, and most important, occurring in the early to mid-nineteenth century, was the abandonment of the philosophy of natural rights, and its replacement by technocratic utilitarianism. Instead of liberty grounded on the imperative morality of each individual's right to person and property, that is, instead of liberty being sought primarily on the basis of right and justice, utilitarianism preferred liberty as generally the best way to achieve a vaguely defined general welfare or common good. There were two grave consequences of this shift from natural rights to utilitarianism. First, the purity of the goal, the consistency of the principle, was inevitably shattered. For whereas the natural-rights libertarian seeking morality and justice cleaves militantly to pure principle, the utilitarian only values liberty as an *ad hoc* expedient. And since expediency can and does shift with the wind, it will become easy for the utilitarian in his cool calculus of cost and benefit to plump for statism in *ad hoc* case after case, and thus to give principle away."

And in the end, Rothbard said that utilitarians found it ever easier to slide further and further into statism. This tells me that while there is a time and a place to get into the weeds, showing the immense threat of a CBDC in terms of what it would mean for taxpayers, depositors, and anyone who uses the dollar, ultimately we should reject it and the whole idea of central banking on principle.

It's enough to say that programmable money means programmable citizens, and sound money means free people.

WHY THIS TIME THE DOLLAR FALTERED HAS BEEN DIFFERENT FROM THE LAST TIME with Jeff Herbener

There was some expectation that when the Bretton Woods system came to an end in the early 1970s, we'd move to something like a multipolar, as they called it, international reserve system. And it turned out that this didn't happen. The empire struck back, and the dollar sort of miraculously reasserted itself during the period from, say, 1982 to 2000. Economists called this period, especially the 1990s, the Great Moderation, where the dollar reasserted itself in its international status. And I would go as far as to say that the dollar went beyond becoming a reserve currency to becoming actually the unit of economic calculation for international trade. And this has changed the way in which we should think about the future of the dollar and all the policy questions that have arisen.

Paul Krugman, in a highly cited paper on the international role of the dollar that he published in 1984, wrote, "The future of the United States monetary system is largely a political question, but the future of the international role of the dollar is largely an economic one." The dollar has become essentially the unit of economic calculation for engaging in foreign-trade transactions. Then it has a kind of status that it didn't have under Bretton Woods, when it was merely a reserve currency. It's still a reserve currency, but now it's both a reserve currency and an international unit of economic calculation. It didn't have this status before. I think it's important that we entertain this notion to think correctly about the future of the dollar.

The dollar has really become more important in international trade and has in fact become a medium of exchange for foreign-trade transactions, for exchange in foreign currencies. Because, of course, all businesses would like to be able to do their accounting, international trade accounting, in one currency, right? And so the dollar dominates this. It gives the dollar greater importance internationally, and therefore increases the demand for the dollar internationally. This suggests the dollar will continue in its status as an important international currency regardless of what happens to its reserve status.

HOW THE END OF US DOLLAR HEGEMONY AFFECTS THE BUSINESS LANDSCAPE with Peter Klein

Now what exactly does dollar hegemony mean? For purposes of this talk, I mean something like the system we have now. So a government-issued fiat US dollar which also serves as the world's reserve currency, giving the US monetary authorities the ability to influence not only business conditions and economic conditions at home, but also to have vast influence in the economies of the world, to intervene in foreign policy and affect governance and all sorts of issues around the world.

We currently have constant changes in the value of money associated with monetary policy. Not just the demand for money by users, by people who want money, but changes in the supply of money under the control of the central bank, increases in the variability of, the noise, associated with, the price system. And of course, trying to figure out what the monetary authority will do, meaning that businesspeople have to be armchair psychologists as well. What color tie did Greenspan have on? And Janet Yellen, what was her expression in the press conference? Trying to figure out what she's really thinking.

Think about how much money entrepreneurs spend on macroeconomic forecasting. This is not trying to forecast, Will consumers like my gadget? but What will the Fed be doing between now and when my gadget hits the market? So entrepreneurs have to spend their effort figuring out how to navigate all of these other things in addition to just doing the stuff that entrepreneurs normally do.

So if by the end of dollar hegemony we mean a monetary unit that is less subject to political control, and price changes that reflect changes in the value of the commodity, and relative price changes for entrepreneurs that reflect changes in relative values rather than the whims of government officials, and a reduced scope for government intervention more generally—in other words, fewer obstacles in the way of economic calculation by entrepreneurs—then I say bring it.

MANAGING THE INFLUX with Shawn Ritenour

Suppose for the sake of argument that the dollar, through a general loss in the confidence in the US economic or political systems or both, loses its accepted status as global currency. What then? Now, if that happens, it is unlikely that if a dollar loses its reserve status abroad, it will do so overnight. And even if it does, it is unlikely that all of those dollars held overseas will come back to the United States right away. But what if they did?

Now, over the past two years, the money multiplier has been running on average about 5.8 over the past two years. That means that due to the fractional reserve banking system that we have, for every dollar in commercial bank reserves, $5.80 was created through credit expansion and held by the nonbank public. So if $1.1 trillion came back to the United States and ended up in commercial bank reserves and then were multiplied via credit expansion in our fractional reserve system with the money multiplier of 5.8, there would be over $6 trillion of new money created and held outstanding. That would increase the money supply by about a third.

It might make even the last two years look like the golden age of price stability. It's hard to imagine, but the Fed is great at doing what's hard to imagine. Now I suspect that not even Janet Yellen prefers hyperinflation. So what might the Fed do to mitigate such a disastrous outcome?

Whatever the Fed does do, we can expect that we'll get policies that give more control of the financial system and economy in general to the banking elites.

They will further work to socialize our monetary system, with all its inflationary consequences, perhaps even hastening the demise of the very dollar they will try to prop up. Such is the nature of central bank entrepreneurship. One might say that the Fed is the true creative destroyer. After all, economic law is mightier than any number of central bankers.

WALL STREET AND THE ORIGINS OF BRETTON WOODS with Patrick Newman

I'm talking about Wall Street and the origins of Bretton Woods. And if we think about what the end of the dollar era means, it's very helpful to understand how we actually got to this dollar era, how we actually got to the dollar as the world reserve currency. What was the process behind that? Was this just a public interest–motivated legislation or was there actually cronyism at work? Remembering the origins of the Federal Reserve at Jekyll Island is important here.

You might remember Nelson Aldrich; he was a famous senator from Rhode Island, author of the Aldrich Plan. And what's very fascinating is, like father like son, his son, Winthrop Aldrich, played a big role in setting up Bretton Woods.

Bretton Woods was the system created right around the end of World War II, and it lasted until the early seventies. This helped establish the dollar as the world reserve currency. The dollar was redeemable internationally in gold by large banks and by governments. Thirty-five dollars would buy an ounce of gold. Other currencies were redeemable in dollars. The United States currency was in a sense the reserve for all of the other currencies, at least of the free capitalist world, so to speak, countries in Europe, Japan, etc. And this created an enormous demand for dollars.

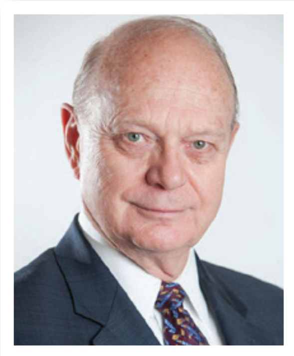
Bretton Woods created the IMF, the International Monetary Fund, and also the World Bank. This is government funded, and it would loan dollars to various countries for currency stabilization.

Wall Street, particularly the Chase National Bank, which was led by Winthrop Aldrich, played a big role in shaping the Bretton Woods system and making the dollar a world reserve currency because in the 1920s, the dollar was actually technically a world reserve currency.

Why did Wall Street want Bretton Woods? What were they going to get out of it? Was it for the good of the United States? No. They wanted other countries to hold the dollar as reserves. They wanted the dollar to become the world reserve currency. This would increase the demand for dollars. Of course, all of their assets and securities, etc., are denominated in dollars. This would increase the prestige of New York City as a worldwide financial center.

So in the late 1940s and in the early 1950s, the World Bank makes loans in Japan, in Chile, and other countries. It was very noticeable. You can see Wall Street's influence throughout the process. Bretton Woods extends this influence to Latin America, to Africa, and then, especially in the 1950s, to countries in the Middle East. In the 1950s, oil politics start to become a very big thing. And again, it's all part of making sure that these countries are linked to the United States and to the dollar. Remember, loans to these countries are in dollars. They're going to use those dollars to buy things, to back their currencies. At Chase National Bank, for example, postwar foreign loans increased by 85 percent. It's a huge amount. It was becoming a worldwide bank.

This was the beginning of the establishment of the United States dollar as having that world reserve currency status, which has continued since Bretton Woods. And a big reason for that was Wall Street.



HOW TO REFORM THE FED with Alex Pollock

The Federal Reserve is the most powerful financial institution there has ever been, and certainly the most powerful there is, and such a role could easily lead to an excessively high opinion of its own authority. But at the same time, there is an offsetting fundamental weakness. And it is this: the Fed cannot possibly know what it's really doing.

The Federal Reserve in the last twelve and a half months . . . has made net operating losses of $109 billion. That's as of October 11. The Fed's capital has become –$66 billion under proper and normal accounting. That is to say they've run through their entire capital of $43 billion and another $66 billion on top of that.

This shocking number is getting rapidly bigger. The Fed continues to lose money at the rate of $9.5 billion a month. That's $2.3 billion a week. That's $114 billion a year. And these losses look set to continue for a long time to come. And thus, the Fed's negative capital is likely headed to getting worse and worse. It'll be –$100 billion or so by early next year, 2020–24. And how does the Fed finance this negative capital? It finances it by borrowing. That is to say by actually running up the debt. But the debt is off the Treasury's books. It's the Fed's own debt.

So the Fed's liabilities are greater than its assets. It's technically insolvent, as we say, and it fills up the gap by increasing the debt of the consolidated government, where "consolidated government" means the Treasury plus the Fed, which have been tightly connected for the entire lifetime of the Fed. . . . Now how should we think about the scale of these losses? The scale of the losses is doubtless a surprise to the Fed itself. This is apparent from the woefully inadequate forecasts of continued low interest rates for a long time, which they made while amassing literally trillions of dollars of investments in very long-term, very low-rate assets.

The Fed has clearly demonstrated its total inability, like everyone else's inability, to predict the economic and financial future. The Fed is inherently unable to know what the results of its own actions will be, or even what its own actions will be, although it tries to commit itself. But it doesn't work. The Fed's amazing power, combined with its inescapable lack of knowledge of the future, makes it also the most powerful, the most dangerous, financial institution in the world.

In the memorable and brilliant phrase of Hayek's Nobel Prize lecture, there should be no pretense of knowledge about central banking. And in all, as it heads for its 110th birthday in December of this year, the Federal Reserve, with all its power and all its danger, needs to be controlled.

THE DOLLAR CRISIS OF 1861–1865: GREENBACKS, GOLD, AND CONFEDERATE DOLLARS with Timothy Terrell

The banking system prior to the War between the States is commonly known as the free banking era. During this time, regulation of banking was relatively light, not, of course, nonexistent. Until 1863, state banking commissions chartered all public banks in the United States. There was no national paper money. Individual chartered banks issued banknotes that would generally circulate in a small regional area.

Contrary to the predictions of some, when money was taken out of the hands of the government and subjected to a private market, it produced a stable free market money supply. Of course, war tends to bring about a lot of turmoil, not only through military destruction and so forth, but also financially. It also brings about a degradation of the monetary system very often. And when the War between the States came along in 1861, both the North and the South had significant monetary crises. Of course, most of the money for the war was raised, at least in the North, by borrowing.

The Union went deeply into debt to pay for the war. When the demand for bonds dropped off as the popularity of the war began to diminish, especially in 1863, there were draft riots, there was antiwar sentiment that was growing in the North. The government needed to drum up some demand for their bonds, and so they implemented another part of Henry Clay's American System: we got the National Currency Act of 1863 and the National Banking Acts of 1863 and 1864, which created nationally chartered banks.

The Confederacy, of course, faced even greater financial problems during the war than the North did. The Confederate government did try to borrow, but they, unlike the North, did not get the majority of their money from borrowing—only about 35 percent. A lot of the Confederate money came from money creation. The Confederate Treasury issued something like a million dollars of notes in 1861. But by 1863, that was pocket change. They had issued $700 million worth of notes and produced a rapid inflation.

In fact, it became so bad that some Confederate troops were paid with greenbacks, because Confederate dollars were not enough to entice them to continue.

This is one of those currency destruction problems that we see . . . and it illustrates the basic idea that governments can raise funds in one of three ways or any combination of three ways, taxing, borrowing, or inflating. And if governments run into problems with taxation, too much political blowback from trying to raise taxes, or if their credit rating suffers and they can't borrow very well anymore, they will print. If the interest rate on those bonds rises and governments find themselves oppressed with a great deal of debt, then that is going to result in even more temptation to run the printing press.

THE LIFE AND DEATH OF AMERICAN EXCEPTIONALISM with Tom DiLorenzo

In 1960, *Life* magazine invited Robert Penn Warren, a famous novelist, to write a book about the centennial of the Civil War. So he wrote a book called *The Legacy of the Civil War*. It's a very interesting book. I highly recommend it. It's written by one of the greatest American novelists ever. One of the things that really stands out in this book, as he talks about the one effect of the Civil War, is that the US government claimed to have a treasury of virtue.

Warren calls this "a plenary indulgence for all sins past, present, and future. The government emerged so full of righteousness that there is enough overplus stored in heaven to take care of all the small failings and oversights of the descendants of the crusaders." I guess the crusaders were the Union Army, Sherman, and the people like that.

He says a moral narcissism fueled the crusades of 1917 and 1918, American intervention in World War I, and 1941 to 1945. Our diplomacy is one of righteousness with the slogan of "unconditional surrender" and "universal rehabilitation" for others, but not for us. We don't need to be rehabilitated. We're already perfect. But for others, we will bring democracy to your country. And then he said, "the effect of this conviction of virtue is to make us lie automatically."

All governments are empires of lies, but this is the unique American method of institutionalized lying. When you've got a treasury of virtue, you can be the bully of the planet, because whatever you do is virtuous by the fact that it is you doing it.

So what is the connection between the dollar decline and all of this? What's going on now is that I think this treasury of virtue has pretty much run its course. ■

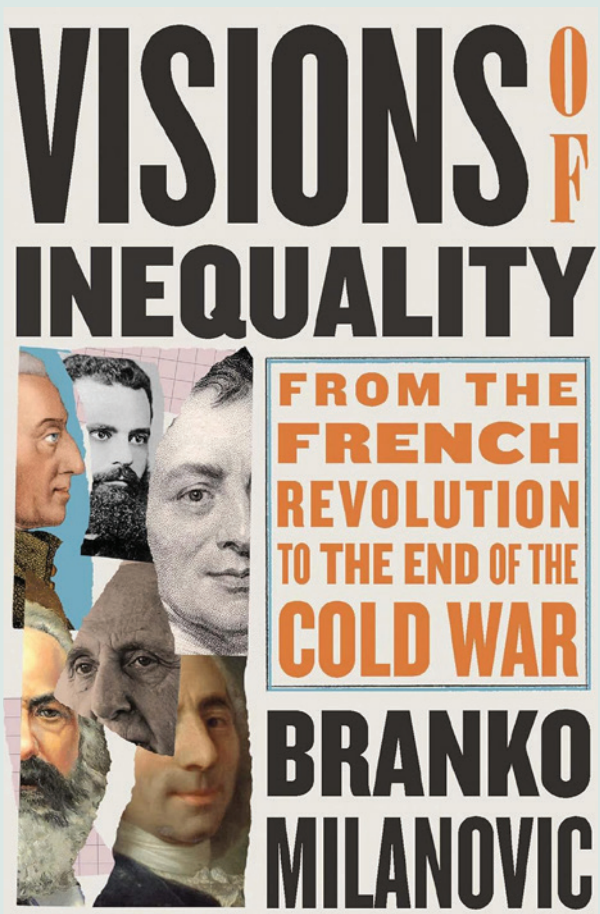
For full lectures and talks from this year's Supporters Summit, visit https://mises.org/23SS.

WHAT, ME NORMATIVE?

VISIONS OF INEQUALITY: FROM THE FRENCH REVOLUTION TO THE END OF THE COLD WAR

by Branko Milanovic

Harvard University Press, 2023; 359 pp.



Use this QR code and the Mises Institute gets credit for your order.

David Gordon is a Senior Fellow at the Mises Institute and editor of the Mises Review.

Branko Milanovic's *Visions of Inequality* contains one of the most misleading statements I have ever encountered by an author about the contents of his own book. Milanovic, an eminent economist who teaches at the City University of New York and was formerly the lead economist at the World Bank, addresses in this book what a number of economists from the eighteenth century to the end of the twentieth have said about measuring inequality of income and wealth. He is concerned, he tells us, with inequality as a fact, not with its normative implications. Nothing could be further from the truth. The book is a thinly veiled polemic against supporters of the free market, who, according to Milanovic, disguise the reality of class in order to defend the interests of the rich and powerful.

Here is what Milanovic says about his book: "The authors studied here had varying philosophical and ethical opinions regarding income distribution and whether certain sources of income and levels of income inequality were justified—but this book is indifferent to such views. This is a consciously instrumental approach which, while it always adopts the author's point of view, ignores all normative or quasi-normative statements on income distribution. . . . And I do present political implications of the authors' views. But I do not engage in normative debate."

He must hold a narrow view of what constitutes normative debate. Relentlessly assailing the approach to inequality taken by American economists during the Cold War, Milanovic argues that these economists lied about the realities of class dominance. He says: "It is important to realize that the criticism here is not the common one that takes neoclassical (Cold War) economics to task mainly for the lack of realism in its assumptions. The critique here does not deal with the simplification of reality, but with its falsification. The criticism is not that assumptions are unrealistic, but that assumptions are designed to obfuscate reality. . . . It is not a claim of obliviousness to reality; it is a claim that models were chosen to present the reality in a way that agreed with the ideological postulates of the authors."

This sounds like normative language to me. But much more important than whether Milanovic has accurately characterized his book is his criticism of the free market and its defenders, and in what follows I'll try to address his most essential point.

Marxists argue that capitalists exploit workers, but defenders of the market deny this, averring that each factor of production tends to earn its marginal product. Each of the factors of production—land, labor, and capital—contributes to output and earns a return. You might have a moral theory that claims workers are entitled to more than this, but you can't claim that the owners of land and capital are taking from workers what they have produced.

Milanovic says this argument is wrong. Capitalists indeed exploit workers: "The dominant approach of general equilibrium analysis concerned itself with the determination of relative prices of final outputs and factors of production. Incomes of participants in an economy are, according to the neoclassics, by definition equal to the product of factor prices (equal to their marginal products) and the quantities of endowments of capital and labor with which they enter the economic process. . . . This attempt to introduce formal equivalency between the two factors of production—one requiring constant work effort to yield an income and the other demanding no work of its owner to yield a return—was well captured by Milton and Rose Friedman's quip, 'to each according to what he and the instruments he owns produce.' . . . It failed to recognize that the marginal productivity of capital is a technical matter, and that capital yields an income to its owner only when there is a 'social contract' or economic system in place that enables owners of tools (including capital) to collect the products of the tools they own." (Milanovic speaks of two rather than three factors of production because he treats land as a type of capital.)

Milanovic has confused two very different questions. First, we can ask: "How did it come about that the owner of a factor of production

The book is a thinly veiled polemic against supporters of the free market, who, according to Milanovic, disguise the reality of class in order to defend the interests of the rich and powerful.

came into possession of it?" This is an entirely appropriate inquiry: it's wrong to take for granted that those in control of land and capital are the legitimate owners of these goods. This is true for labor as well. "Surely, labor endowments did not yield any income to the slave—because the system did not recognize the self-appropriation of the fruits yielded by that endowment.' We can also ask a second question: "Does the owner of a factor of production," or 'endowment," as Milanovic calls it, contribute to the process of production? This question, in contrast to the first, is trivial, as the answer is obviously yes. Factors of production that aren't alive do not operate by themselves; someone has to put them to use. Milanovic fails to see this. He says that labor requires "constant work effort to yield an income" in contrast to capital (and land), "which requires no work of its owner to yield a return." But the owner of the asset determines where it is to be used; this may not require constant (physical) labor but it adds value to the final product nonetheless. To deny this you would have to hold that all value comes from labor, making land and capital factors of production that do not create value at all. And that is absurd.

The absurdity does make sense in Karl Marx's account of exploitation, about which Milanovic says this: "Marx's theory of exploitation is an integral part of his theory of distribution. Only in the extreme case when the entire newly created value belongs to labor—that is, when the labor share is 100 percent—does his theory of exploitation (under capitalism) cease to apply. In all other cases, no matter how pro-labor the distribution of net product may be, there is exploitation. The theory of exploitation is based on the assumption that the entire net product is produced by labor. The implication is that means of production—that is the raw material and tools that Marx calls the 'constant capital'—simply transmit their value to the final product. The higher value of the final product is therefore wholly due to the contribution of labor, with only depreciation of the constant capital entering into the gross value added. . . . Thus, exploitation is an indispensable feature of capitalism."

It is not clear whether Milanovic himself adopts this account of exploitation in his criticism of the neoclassicals, but if he does, this would explain what he says about them. Marx's view of exploitation depends on the labor theory of value, which was overthrown by the marginalist revolution of the 1870s, though news of this may not yet have reached Milanovic. It is a great strength of the modern view that it leaves open why people hold entitlements to the factors of production. If Milanovic believes that capitalists exploit workers, he needs to demonstrate this, rather than adopt a faulty theory that makes it true by definition.

The author could with justice complain that I have neglected to discuss the bulk of his book, which is about the treatment of inequality by François Quesnay, Adam Smith, David Ricardo, Karl Marx, Vilfredo Pareto, and several others. I have done this because the issue I have raised is especially important. ■

DAVID GORDON ***REVIEWS***

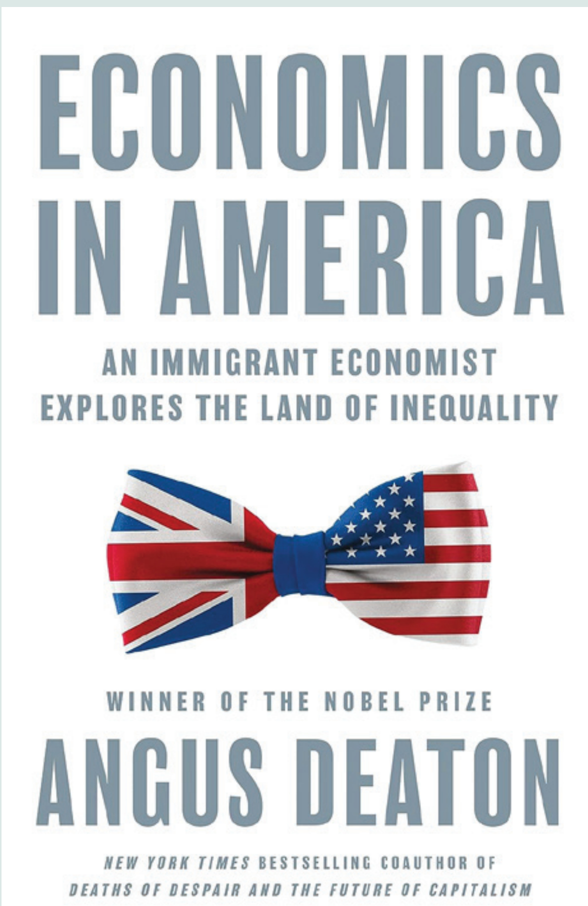
OUR FRIEND THE STATE

David Gordon is a Senior Fellow at the Mises Institute and editor of the Mises Review.

ECONOMICS IN AMERICA: AN IMMIGRANT ECONOMIST EXPLORES THE LAND OF INEQUALITY

by Angus Deaton

Princeton University Press, 2023; xiii + 273 pp.



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Economics in America disappointed me, but I have only myself to blame. As you would expect from a Nobel laureate, Angus Deaton is very smart and erudite, but what you might not expect is that he is funny as well. The book contains much good sense, but it is quite unsympathetic to the free market. And this is what disappointed me. In his *The Great Escape* (Princeton, 2013), Deaton pointed out that the escape from poverty of millions of people in the last 250 years depended on accepting substantial inequality; and he is well-known as a critic of foreign-aid programs, arguing that they usually cause more harm than good. Because of these views, I expected him to be much more critical of government intervention in the American economy than has turned out to be the case. Had I paid more attention to *The Depths of Despair* (Princeton, 2019), written in collaboration with Anne Case, as well as to his demands to reduce inequalities in *The Great Escape*, my expectations would have been lower.

Deaton thinks that people in the United States, including academic economists, are much more suspicious of the government than they should be. After he moved from the University of Bristol to Princeton in 1986, he tells us, "I was appalled when one of my new colleagues (publicly) proclaimed that 'government is theft.' I had grown up in a country [Scotland] where I, my parents, and our friends saw the government as benevolent, a friend in times of trouble, and I found it hard to believe that a distinguished academic could be so cynical and so libertarian."

So much for Franz Oppenheimer, Albert Jay Nock, and Murray Rothbard, who argued that the state is inherently predatory. To his credit, Deaton acknowledges "the extent to which state and federal government in the United States often work, not to protect ordinary people but to help

Deaton thinks that people in the United States, including academic economists, are much more suspicious of the government than they should be.

rich predators make ordinary people poorer." Nevertheless, he retains his faith in government; "the system is not entirely rigged."

Deaton has no use for the Austrian theory of the business cycle either. He says that Friedrich Hayek "had battled Keynes in the 1930s and decisively lost—at least according to what we were taught in Cambridge, England. If asked around 1970, I should have replied that he was probably dead." The Nobel Prize Hayek received in 1974 "resurrected him, intellectually if not literally," and Deaton implies that the revival was due to political reasons rather than Hayek's intrinsic merits as a thinker.

For Deaton, the idea that the government should not respond to bad economic conditions by spending to increase aggregate demand is bizarre: "Robert Barro of Harvard . . . wrote about what he called 'Voodoo multipliers.' . . . The multiplier refers to the factor by which stimulus spending will add to national income, a number that the administration's economists believed was greater than one; after all, the postcrash unemployment of labor and capital left unused resources that could be brought into play. Barro, by contrast, argued that the multiplier is zero, because the government cannot do anything better, and will simply replace private spending that would otherwise have taken place. . . . For most economists, including me, this insanity is an embarrassment, and the fact that Barro is taken seriously—and is a professor at Harvard, rather than a fringe blogger—is a sure indication that, indeed, macroeconomics has regressed, not progressed, since 1936," when Keynes's *General Theory* was published.

So much for intellectual tolerance!

Deacon recognizes that free market economists have valid points about government failures, but, influenced by his narrow concentration on the Chicago School, he wrongly suggests that supporters of the free market are interested only in efficiency and ignore ethics: "Even if you were to worry about inequality, it would be better if you just kept quiet and lived with it, or at least that was the Chicago view. Regulation, taxation, or political action is unlikely to help. Politicians, after all, are just like everyone else, looking after their own interests. Cures for inequality through politics are often, perhaps always, worse than the disease itself. . . . For someone like me, brought up in Cambridge in the shadow of Keynes, these were unfamiliar but clearly important ideas. This is not an endorsement. . . . At its worst, Chicago economics makes money the sole measure of well-being, inequality doesn't matter, and efficiency is the only thing that counts. The only injustice is to make the economy less efficient than it might be, and, since redistribution inevitably has losses attached—'deadweight loss' is the term of art—then redistribution in the name of justice is inherently unjust."

He contrasts these crass free marketeers with his philosophically sophisticated teachers at Cambridge, who cared about equity as well as efficiency: "When I first became an economist in Cambridge fifty years ago, philosophers talked to economists, and the economics of inequality, of justice, and of well-being was talked about, taught, and taken seriously. Harvard

philosopher John Rawls's 1971 *The Theory of Justice* was much discussed, and Amartya Sen, Anthony Atkinson, and James Mirrlees, all then in Cambridge, thought and wrote about justice and its relationship to income inequality."

Deaton seems utterly unaware that there are libertarian thinkers who oppose egalitarian policies on principle, not only on efficiency grounds. If he has ever read Robert Nozick or Murray Rothbard, there is no evidence of it in this book. He evidently views philosophical opposition to redistribution as based on Ayn Rand's defense of selfishness, wrongly taking Rand to be a popular novelist of no consequence rather than a philosopher whose ideas merit serious attention.

Rather than continue to catalog Deacon's deviations from free market orthodoxy, I shall close on a positive note. Deacon presents an excellent criticism of high taxes on cigarettes. Many of his fellow leftists favor these taxes because smoking is bad for your health: the higher prices resulting from the taxes will lessen consumption, and the money the taxes raise can be used to help smokers with their medical bills. Deacon offers some strong considerations on the other side: "In all this debate, only the tobacco lobby seems interested in defending smokers, a defense that is properly discounted. Yet surely there is much to be said for the economists' once-standard belief that people know what is good for them, that money and mortality are not the only determinants of welfare, and that smoking brings benefits to many. For people who have few other opportunities for enjoyment, a cigarette break can be a moment of pleasure in a difficult day. And there is little evidence that people are unaware of the risks. We are telling people no, stop it, though we will let you continue if you contribute to lowering our property taxes. If you live in the United States, if you are poor, poorly educated, and enjoy smoking, you must pay better-educated and more fortunate people for the privilege and be grateful to boot. Even if smokers are indeed making poor choices, paternalism is an assault on freedom that is deeply troubling."

If Deaton had reasoned in a similar way on the whole range of issues he discusses in *Economics in America*, he would have written a very different and much better book. ■

Deacon presents an excellent criticism of high taxes on cigarettes.

2023 SUPPORTERS SUMMIT

In October, the Mises Institute hosted the 2023 Supporters Summit in Auburn, Alabama. The event featured over 130 friends from around the world, brought together by a common belief in the importance of the ideas of Ludwig von Mises, Murray Rothbard, and other great scholars of the Austrian School.

The focus of the event was on the end of the dollar era, a topic inspired by the continuing inflationary challenges Americans fear at home and the growing disillusionment with the dollar's role in the economy abroad. Twelve of the Mises Institute's leading minds addressed the question of the dollar during the event, with talks focused on important matters such as the history of money and banking in the United States, the threat of central bank digital currencies, the global consequences of the Federal Reserve, and the potential fallout of a post–global dollar era.

The event also included three keynote speeches by courageous voices in the fight for liberty. Dr. Naomi Wolf kicked off the event with a talk dedicated to her research focused on the Pfizer documents and the horrific consequences of covid tyranny, particularly what recent data signals about the lasting impact mRNA vaccines are having on fertility rates. On the second day, David Stockman, former budget director for Ronald Reagan, gave a full-throated attack on the American uniparty and the fiscal insanity of Washington.

One particular highlight of this year's Supporters Summit was Guido Hülsmann's return to the Mises Institute after being unable to visit for several years due to the regime's covid-related restrictions on international travel. Dr. Hülsmann delivered the concluding keynote address on the cultural consequences of the dollar and the generational consequences of a debt-saturated economic system. During a special breakout session, he also presented on his upcoming book, *Abundance, Generosity, and the State*, a new treatise on the role of gratuitousness in an economy that also addresses the costs of state intervention on the cultural foundations of a civilized society. The book will be available from the Mises Bookstore in early 2024.

Events like this are always special opportunities to make memories with the people who make the Mises Institute possible. Special thanks to our generous host committee and those who sponsored our lineup of speakers.

Video and audio of this year's Supporters Summit are available at mises.org//photosSS23. ■

MISES CIRCLE IN FORT MYERS

THE WHITE HOUSE, THE FED, AND THE ECONOMY

The Mises Institute held a Mises Circle event in Fort Myers, Florida, on November 4. Over one hundred attendees came to “The White House, the Economy, and the Fed,” which was sponsored by Dr. Murray and Florence Sabrin. Murray Sabrin spoke at the event, along with Jonathan Newman, Patrick Newman, and Bob Murphy.

The talks focused on the state of the economy and what to expect in 2024. Jonathan Newman considered how the Federal Reserve has acquired new powers and changed its own role in the economy over the course of its hundred-year life. He attributed the widespread uncertainty about the future of the economy to the fact that no one knows what the Fed will do and what it will become in the next crisis.

Murray Sabrin offered a vision of how a truly free market economy would work and contrasted it with the government interventions and central bank manipulations plaguing us today. He considered the historical trajectory of oil prices and the business cycle and applied it to our current situation.

Patrick Newman answered the question, “Are we headed for a recession in 2024?” He surveyed key macroeconomic indicators like economic growth and price inflation, but he concluded that what will happen all depends on the Federal Reserve. The Federal Reserve may try to kick the can down the road, especially given the political pressures of an election year.

Bob Murphy also considered the possibility of a recession in 2024, saying that indicators like yield curve inversions are pointing in that direction. He also commented on the fate of the dollar. Geopolitical crises and inflation are pushing foreign governments to cap their holdings of US Treasury debt, diminishing the pool of countries the US government can borrow from. We may be entering a new multipolar era in which the US dollar is no longer the dominant global reserve currency.

To listen to the talks from
The White House, the Fed, and the Economy,
visit mises.org/ftmyers2023. ■

STUDENT SPOTLIGHT

ZACHARY *WOOD*

Grove City College
Mises University 2023
Mises Book Club

How did you discover the Mises Institute and your interest in Austrian economics?

It all began when I took American history in high school. That course got me interested in politics, and that led me to discover an interest in economics. During this time I read Frédéric Bastiat's *The Law*. Then I found Henry Hazlitt and from there I was introduced to Ludwig von Mises, and that is what led me to the Mises Institute.

As well as being a Mises University alum, you participated in the Mises Institute's first Book Club with Dr. Jonathan Newman. What are your impressions?

The Book Club has been really great. I've learned a lot from reading Murray Rothbard's *For a New Liberty,* and the discussions with Dr. Newman and the other students have brought Rothbard more to life. A lot of what Rothbard was talking about in 1973 is just as relevant today, from our involvement in foreign wars, inflation, and government intervention in the economy causing all sorts of problems. The Book Club has been very useful in realizing that history continues to repeat itself.

I am interested in libertarianism in politics, and the Book Club has helped me to learn more about Rothbard's ideas and how they continue to apply to the present day. The book and the discussions got me thinking about how to begin developing a strategy for libertarian politics. Rothbard wasn't one who compromised on his principles. He was clearly consistent and he didn't really give any leeway for violation of his principles. So it's been very useful reading the book and very inspiring how he stuck to his principles.

Is there any particular topic that has been your favorite?

Foreign intervention has always been one of my interests. And Rothbard approaches the subject very uncompromisingly and follows his ethical principles to logical conclusions—we shouldn't be intervening in foreign conflicts that have nothing to do with us here at home. Not only does that infringe on the liberty of Americans, but it also makes situations around the world worse by inflaming tensions that wouldn't be there if it weren't for government intervention.

You are studying economics at Grove City College, one of the few schools with an Austrian tradition. Can you talk about that?

I didn't originally go to Grove City College because of their Austrian program. But as I learned more economics I have learned to appreciate and understand the Austrian tradition's uniqueness and straightforward approach.

All three of my professors, Dr. Jeff Herbener (MU lecturer), Dr. Shawn Ritenour (a MU alum, and now a MU lecturer), and Dr. Caleb Fuller, are Austrian economists and they teach economics in a way that is very different from any other undergraduate program in the country. They teach the mainstream material, and also the flaws that are associated with those ideas. We learn the Austrian system of economics from the ground up, the whole system of human action.

Attending Grove City College and participating in Mises University is preparing me for a career in economics. I am looking forward to learning more Austrian economics and eventually returning to Mises University and hopefully attending the Rothbard Graduate Seminar in the future.

What are you looking to do with your college experience, and with your Institute experience?

Right now, I'm hoping to go to grad school in economics and ultimately get a PhD.

I have developed a passion for economics. Or, should I say, Austrian economics. It's fascinating to me that without any planning, the market orders itself just through the voluntary exchanges and activities of ordinary humans. So, I would like to continue studying economics and eventually teach it. ■

Mises University students on scholarship this year from Grove City College.

*From left to right: Alexander Zielstra, Sam Peterson, Khush Agrawal, Sam Branthoover, Tamás Klein, Scott Cross, Benjamin Seevers, **Zachary Wood**. Seated: Professors Jeff Herbener and Shawn Ritenour.*

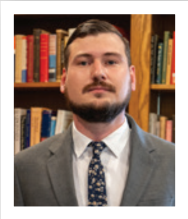
MISES RESEARCH FELLOWS 2023

This summer, the academic research wing bustled once again with productive in-residence Research Fellows. These nine young scholars worked on their dissertations and academic articles under the guidance of our faculty, Academic Vice President Joseph Salerno, Senior Fellow Mark Thornton, and Henry Hazlitt Research Fellow Jonathan Newman. The Fellows researched topics ranging from banking to worker cooperatives to modern monetary theory.

Thanks to our generous donors, these students received stipends, offices, accommodations, and access to the Mises Institute library and archives. They also participated in our renowned summer events, Rothbard Graduate Seminar and Mises University, and presented their research in weekly workshops.

Raphael Endre Adés
University of Oxford

Raphael researched the origins of the Bank of England using an Austrian economic framework. He researched the prehistory of the bank and the reasons for England's adoption of central banking.



Artur Marion Ceolin
Universidad Rey Juan Carlos

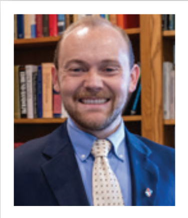
Artur presented an Austrian explanation of value premiums in finance based on the relevance of the entrepreneur as an uncertainty bearer who also seeks profits. His research critiqued the behavioral finance literature from an Austrian perspective.

Anthony Cesario
Texas Tech University

Anthony analyzed acquisition and conversion within worker cooperatives as a community economic development strategy.

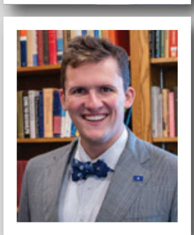
Manuel García Gojon
George Mason University

Manuel considered the sociology of money, including the deterioration of social patterns due to monetary policy.



Joshua Mawhorter
Mises Graduate School

Joshua worked on an overview and internal critique of modern monetary theory from an Austrian perspective.

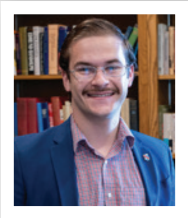


Connor Mortell
Texas Tech University

Connor applied the economic theory of demonstrated preferences to the human-flourishing framework to defend fossil fuels.

María Noelia Romero
University of Illinois Urbana-Champaign

María evaluated how student enrollment and the demand for education in Peru have been affected by unexpected immigration.



Benjamin Seevers
West Virginia University

Benjamin researched the history and anthropology of Native American societies, comparing anarchic and authoritarian civilizations for their Rothbardian power and market implications.

Kesong Wang
Hokkaido University

Kesong discussed F.W. Taussig's contributions to the theory of capital and their important implications for Austrian economics.

The economy may be slowing down, but we have been busier than ever. Here are some highlights from what we have accomplished throughout the year.

NEW PROGRAMS

The Mises Apprenticeship is designed for those who want to fight in the battle of ideas from outside the ivory tower. This six-month program features specialized training in economics, writing, and editing to enhance the Apprentices' ability to articulate Austrian principles and defend the Misesian tradition. Our first group of five Apprentices were talented, engaged, and committed to educating and communicating with their generation to heighten economic literacy and respect for individual liberty—two of the cornerstones of a flourishing civilization.

The Mises Book Club helps student build in-depth understanding of Austrian economics and the arguments for a free society. Led by a Mises Institute faculty member, the Mises Book Club delves into the core texts of the Austrian and anarchocapitalist traditions. The inaugural text was Murray Rothbard's influential book *For a New Liberty: The Libertarian Manifesto*.

Thanks to the Dean and Cam Williams Foundation for sponsoring the Mises Book Club.

NEW PODCAST OFFERINGS

Minor Issues. Dr. Mark Thornton comments on the niggling, small-fry issues that confound us every day. He delivers short, concise, and witty commentary.

Fed Watch. A view of what is happening at the Fed filtered through an Austrian lens. You won't find this commentary in the mainstream.

Good Money with Tho Bishop. A weekly show that cuts through superficial political discourse and focuses on sound economics and sound money.

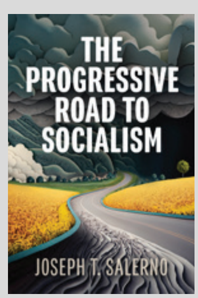
**To view all of our podcasts, visit mises.org/podcasts.*

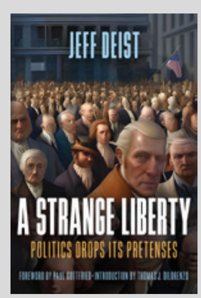
NEW PUBLICATIONS

The Global Currency Plot by Thorsten Polleit

The Progressive Road to Socialism by Joseph T. Salerno

A Strange New Liberty: Politics Drops Its Pretenses by Jeff Deist





NEW VIDEO SERIES

We added three new animated video series to our Economics for Beginners page on the website this year:

America: From Republic to Empire explores how, with the help of an interventionist government, we have steadily gone from a republic to a worldwide empire. It has 1,320,680 views.

Fueling a Freer Future is a serious discussion of fossil fuels and their political alternatives. It has 1,859,672 views.

Progressivism, the most recent series, explores the raging battle between American individualism and modern progressive collectivism.

To learn more about our video series, go to mises.org/begin.

OUTREACH, STUDENTS, AND SCHOLARS

We held thirteen events, conferences, and seminars across the country and in Auburn.

We gave away over fifty thousand copies of *How to Think about the Economy*.

We hosted nine Research Fellows during the summer months.

Thirteen graduate students attended the Rothbard Graduate Seminar for a week of in-depth study of Rothbard's *Power and Market*.

One hundred students attended Mises University, and hundreds more streamed via Virtual Mises University.

We sponsored the Austrian Economics Meeting Europe at the Western Catholic University in Angers, France, Europe's premier academic conference for Austrian economics.

We awarded 190 student scholarships to events during the year.

Tate Fegley, Kristoffer Hansen, and Karl-Friedrich Israel were named Mises Fellows.

We gave permission for our books to be translated into Spanish, Portuguese, Persian, Armenian, Chinese, Bulgarian, Hebrew, Turkish, and Korean.

**All numbers for the video series and Mises online were calculated as of mid-November.*

MISES ONLINE

Our podcasts were downloaded **1,927,528** times.

Our *Human Action* PDF was viewed **414,562** times.

Our Audio Mises Wire articles were downloaded **894,317** times.

Our new AI-generated audiobooks were downloaded **28,369** times.

We published **1,093** articles on the *Mises Wire*.

COMMENTS FROM MISES BOOK CLUB ATTENDEES

The level of intellectual conversation and the expectation of having to actually read the material is rewarding and provides a high-level academic environment that requires critical thinking often not had on campus.

—Liam Childers, Auburn University

Thank you, everybody, for adding such value to my life and our society, and specifically Dr. Newman for his guidance!

—Mehmet Aydin, University of Bologna

Being able to regularly meet with and discuss issues with a group of Austrians outside of March and July is a godsend.

—Ryan Turnipseed, Oklahoma State University

HOW AUSTRIAN ECONOMICS IMPACTED MY LIFE

Joe Salerno was one of the featured guests for the Future of Freedom Foundation's fall series How Austrian Economics Impacted My Life. Joe talked about Murray Rothbard and the enormous impact he had on his intellectual development. He shared stories and anecdotes about Murray, showing him as funny, humble, and approachable. He also talked about the uniqueness of Austrian economics. It is methodologically individualistic; that is, it focuses on the individual and builds up the framework of the overall economy from individual choices, actions, and expectations, not top-down from equilibrium and perfect knowledge.

You can listen to the whole talk on YouTube at https://www.youtube.com/watch?v=hEq0gaOU-lg.

MISES APPRENTICES PUBLISHED IN GCC JOURNAL

Mises Apprentice Sam Peterson and Mises U alum Zachary Wood coauthored a paper on the economics of opioid prohibition titled "The Opiods of the Masses," and it has been published in the *Grove City College Journal of Law and Public Policy*.

OSU FREE ENTERPRISE SOCIETY HOSTS DR. JONATHAN NEWMAN

In November, Dr. Newman gave a talk titled "How the Fed Disrupts and Corrupts Society" to the Oklahoma State University Free Enterprise Society. He also gave a research presentation for PhD students at OSU on the effect of hyperinflation on workers in Zimbabwe and led a discussion of Murray Rothbard's *What Has Government Done to Our Money?* In attendance were Mises Institute Senior Fellow Per Bylund and Mises University alumni, including Ryan Turnipseed (President of the OSU FES) and Landen Terrell.

FREE MARKET ECONOMICS IN THE CLASSROOM

Dawn Peterson, a member of Mises Club Carolinas from the Charlotte area, has for twenty years been teaching her high school students about the free market and the benefits of entrepreneurship. Her students learn that through markets and hard work, and not government handouts, they can become responsible and successful contributors to society. Dawn special orders *The Austrian* for her students to give them even more ways to nourish their minds. Three cheers for Dawn!

NEWMAN TALKS ON PRIVACY AND MONETARY POLICY

Jonathan Newman was interviewed on Liran Touitou's podcast and talked about the threat of CBDC from both a privacy and monetary policy perspective. The interview will be translated into Hebrew for Touitou's over 2,000 members.

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L. Mises

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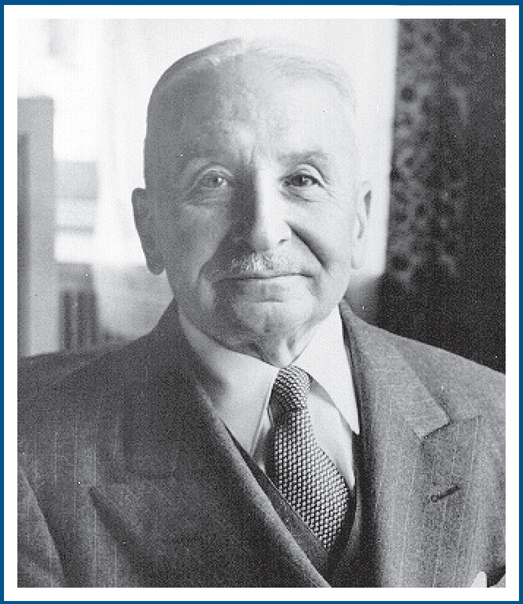

UPCOMING *EVENTS*

SPRING MISES BOOK CLUB

February 6, 2024 | Auburn, AL

INFLATION: CAUSES, CONSEQUENCES, AND CURE

February 17, 2024| Tampa, FL

AUSTRIAN ECONOMICS RESEARCH CONFERENCE

March 21–23, 2024 | Auburn, AL

HUMAN ACTION CONFERENCE

May 16–18, 2024 | Auburn, AL

ROTHBARD GRADUATE SEMINAR

June 9–14, 2024 | Auburn, AL

MISES UNIVERSITY

July 28–August 3, 2024 | Auburn, AL

SUPPORTERS SUMMIT

October 10–13, 2024 | Hilton Head, SC

UPCOMING *PROGRAMS*

MISES APPRENTICESHIP

February–July, 2024 | Auburn, AL

SUMMER IN RESIDENCE FELLOWSHIP

May– August, 2024 | Auburn, AL

UPCOMING NAME CHANGE

Starting with the January / February issue this publication will be titled *The Misesian*. This change is to honor Ludwig von Mises and the Mises Institute which carries on his fight against tyranny in all its forms.

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