

Harry C. Veryser

Murray Rothbard: In Memoriam

With the passing of Dr. Murray Rothbard on January 7, 1995, the country lost an indefatigable champion of individual liberty and a profound conscience of the political arena. As with anyone who vigorously defends a principled position, Rothbard generated controversy among adherents of all political and philosophical positions. Never a blind follower of any party line, he was a man of deep integrity who said things and did things because he thought them to be true. If any tribute could be given to Murray Rothbard, it would be that he was a man who was dedicated to the pursuit of truth, and committed to seeing that truth carried out no matter where it led him.

Dr. Rothbard will be remembered in the short run for his criticism of the present political order. In the long term, however, he will be recognized for his innovative, significant, and lasting scholarly contributions to the field of economics, particularly economic history, the history of economic ideas, and economic theory.

To the understanding of economic history, Rothbard added a richness that few economic historians ever achieve. Most economic history is written from the viewpoint of analyzing the various operations of government or movements of productive

resources. These historians are interested in the growth of industries or trade, and in the development of government economic policy. Other economists and economic historians, such as Ludwig von Mises, Friedrich Hayek, or even John Maynard Keynes, stressed instead the intellectual component, the role of ideas—believing economic “ideas” to be paramount in the development of economic history.

What Dr. Rothbard added to our understanding of economic history is the analysis of the role of religion and politics on the development of the economic order. His inclusion of the religious factor is notable since most economists analyze history from a purely materialistic basis. But in explaining the development of the United States economy throughout the 1900s, Rothbard continually stresses the influences of the various church groups. He points out that the more libertarian, more free trade, more gold standard policies were championed by what he calls the “liturgical” churches, by which he meant the Catholic, Lutheran, and Episcopalian churches. These churches saw their ultimate goal as beyond this life. Not inclined toward building earthly utopias,

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the more liturgical churches tended to oppose government-directed attempts to secure “social security.”

Against the “liturgicals,” Rothbard opposed the “pietists.” Pietist churches believed that government existed to stamp out sin and create a new Jerusalem on earth. They tended to be very simple in their worship, and instead stressed social action—particularly government action—to secure justice in the here-and-now. They wanted to remove restraints on government such as the gold standard, free trade, etc., thus allowing governmental institutions more freedom in helping to bring about an earthly utopia. Paradoxically, in the mid- to late-twentieth century, one finds an inversion of this relationship between liturgicals and pietists in their attitude toward the role of government. One might say that the “pietists” have learned through experience the havoc government can bring to their attempts at securing peace and happiness, while the “liturgicals” have been seduced by government promises of securing security in this life.

Rothbard took seriously the effects of businessmen who sought advantage by securing government protection following the Civil War. The aftermath of the Civil War marked a turning point in U.S. economic history with the beginning of the expansion of the federal government. The so-called “progressives” argued that this expansion was necessary to protect the proverbial “little guy” from the ravages of unbridled capitalism. Rothbard exploded this myth, proving that this expansion was not predicated on the idea of helping the “little guy,” but rather was a movement of businessmen to assert control of government for their own purposes.

With meticulous scholarship, Rothbard demonstrated that the so-called “progressive reforms” that gave government a greater role in the economy were really the machi-

nations of a small but powerful group of businessmen who wanted government to shield their industries from competition. They simply used the “progressive” movement and ideas as a mask behind which they achieved their economic objectives. In short, these businessmen believed that government could become another resource to be used against competitors, rather than an objective protector of the common good.

Murray Rothbard was not satisfied with vague explanations of economic history. He insisted upon a microscopic examination of those who pushed particular policies, and an equally close study of why they pushed them and how they benefited from them. In doing this, he stirred up controversy, attacking such icons as Abraham Lincoln, T.R. “Teddy” Roosevelt, J.P. Morgan, and Woodrow Wilson. He criticized these men severely for, in varying degrees, the inflation of currency, the imposition of income taxes, the establishment of central banking, and the change of U.S. foreign policy from one of minding one’s own business to adventurism abroad.

In essence, Murray Rothbard pointed out that in public affairs there are two reasons for undertaking public policy: the good reason, that argument used to sell the program; and the real reason, the argument for those who will directly benefit. He deftly and convincingly unmasked the hypocrisy of those “progressives” who claimed to be working on behalf of the common good while manipulating government policy to their own benefit.

Another and perhaps more important contribution to the understanding of economic history was his use of the Austrian trade cycle theory to explain the prevalence of trade cycles in American history. The Austrian explanation of the trade cycle was developed from the works of economists like Eugene von Boehm-Bawerk, Henry

Thornton, Knut Wicksell, Ludwig von Mises, and F.A. Hayek. In short, this theory of the trade or business cycle points out that downturns in the cycle are caused by an inflation of bank credit which distorts the market, causing malinvestments and over-expansion of capital. The downturn is simply a cleansing-out process.

In his magnificent and well researched books, *The Panic of 1819* and *America's Great Depression*, Dr. Rothbard studied two major economic downturns in the American economy. In both instances he showed that each depression or panic was preceded by an inflation of bank credit. In *America's Great Depression*, he gave what is perhaps the most thorough explanation of trade cycle theory available. In addition, he challenged the myth that most American students are given regarding the Depression—namely, that the 1930s downturn was caused by “unbridled” capitalism

and was made worse by the “hands-off” attitude of Herbert Hoover. Rothbard clearly shows that it was government intervention that created the Depression, through the inflation caused by the Federal Reserve System in the 1920s. To make matters worse, each government intervention served to exacerbate the downturn, rather than reverse it.

In addition to his work in economic history, Rothbard made significant contributions to the history of economic thought. Most histories of economic thought pay scant attention to the contributions of the scholastic school. They prefer to focus their

attention on the rise of mercantilism and the classical school beginning with Adam Smith. Unlike most free-market economists, Rothbard was critical of the work of Adam Smith, and identified many value theory errors in *The Wealth of Nations*. In essence, Rothbard claimed that in many ways the teachings of Adam Smith constituted a wrong turn in economic theory.

He claimed that the scholastics—particularly Spanish thinkers like Suarez and

Vittoria—were far advanced over the teachings of the classical school. Rothbard stressed that major teachings regarding value theory, money, and trade, were foreshadowed by the work of the scholastic school of Salamanca in the early 1500s, and in effect served to lay the foundation for what we now call the Austrian school of economics. The scholastics or schoolmen, the greatest of which was St. Thomas Aquinas, took their



Murray Rothbard

teachings from Aristotle to synthesize classical philosophy and the truths of revealed religion. Throughout his work, Dr. Rothbard shows a tremendous respect for their work and strives to make their contributions known.

Rothbard's respect for St. Thomas and Aristotle also appears in his epistemology. Though a student of Mises, Rothbard differed substantially from his mentor in this regard. In the first chapters of *Human Action*, Mises explains the epistemological foundations of economics from a definite Kantian perspective. Rothbard, on the other hand, starts out with a very direct and

straightforward description of human action in his great tome, *Man, Economy, and State*, using the fundamental ideas of human decisions which are identical to those of Aristotle and St. Thomas Aquinas: every human action has a purpose, is directed to a good, and is done under an idea of cause and effect in the actor.

Rothbard did, however, agree with Mises that the fundamental test of economic theory is the correctness of the premise and the logical chain of reasoning. He, like his mentor, eschewed the masses of statistics and reams of equations of the other schools of contemporary economic thought.

In addition to his academic work, Murray Rothbard will be remembered for his participation in contemporary politics. He was perhaps the last of the “old right” giants. This branch of conservatism, represented by such thinkers as William Graham Sumner, Albert J. Nock, Garet Garrett, and John Flynn, believed in minimal government and a maximum of individual liberty. They disdained government activities abroad and thought that the United States should mind its own business, and they opposed both welfare and defense expenditures. Their views would not fit comfortably within the present political division of left and right. Partisans of the old right might agree with the present day left on protecting civil liberties and in harboring suspicion of government intelligence activities, yet they would also support the present day right on issues relating to economic freedom.

Murray Rothbard sought to bring the politics of the old right back into vogue. In a sense he was a man of both the left and right. Rothbard thought that the worst enemy of liberty was the state. He thought that government interference in private lives caused most of the evils in the world. Like other members of the old right, he saw what he called the “welfare/warfare state” not

only bankrupting civil society, but also destroying the individual lives of the citizenry. Significantly, he also saw government action as wrecking individual moral character and culture.

Rothbard became estranged from a large part of the American conservative movement over his disagreement with U.S. foreign policy. While looking askance at the extension of U.S. power abroad, he was not an isolationist in that he believed in free trade and was very cosmopolitan in his cultural expression. What he feared was the effect of overseas involvement, because it might lead to higher taxes and larger government at home.

Rothbard believed that conservatives moved away from this position in the late 1950s because of the growing threat of communism. Some members, particularly those associated with *National Review*, argued that the presence of this threat required a new strategy. They argued that communism was the greatest threat to liberty and therefore must be opposed by an activist foreign policy. Rothbard responded that communism was by its nature unstable, and that its economy would eventually collapse. Rothbard stated that the new conservatives obviously did not understand free-market economics and the inability of a socialist economy to survive. He believed communism would fall much faster by its own economic failings than by outside military pressure.

This disagreement came to a head with the Korean and Vietnam wars. Leonard Read, then president of the Foundation for Economic Education, wrote a pamphlet entitled, “As I Lay Dying.” It was the deathbed testimony of a young American who had been drafted to fight in Korea questioning the entire proposition of using American force to stop communism. Continuing this questioning, Rothbard was one of the few members of the right who actively opposed the Vietnam War on the grounds that

the United States should not be involved in a foreign conflict and that it would not defeat communism. When he took this position, he immediately incurred the wrath of foreign policy activists and anti-Communist conservatives.

Although many would dismiss Murray Rothbard and the old right, the victory over communism was a result, in large part, of the failure of the Socialist economic system. It was precisely this failure that allowed Ronald Reagan and other leaders of the Western world to force communism into its final crisis.

In many ways, Rothbard was a paradoxical man. He was an Austrian economist who

emphasized the contributions of the scholastics, he was a libertarian who disdained the corruption of culture and individual character, and though non-religious once remarked that his favorite author was G. K. Chesterton.

Time will tell whether the fall of communism abroad and the impending crisis of the over promised welfare state will bring back into style the politics of individualism and freedom espoused by men like Rothbard. At this juncture of history, however, one statement can be made with certainty—Murray Rothbard will go down in history as a great economist and an original writer, but more significantly, as a man of courage and principle.