

class distinctions. Because Burke was critical of the extravagant life-style of wasteful wealthy people, Freeman attributes to Burke the Marxist "surplus value" labor theory: "The rich live off the surplus value created by the poor." But since elsewhere Burke denied that the wealth of the rich *caused* the poverty of the poor, he is accused by Freeman of inconsistency. Freeman assumes that Burke's belief in a free market, competitive, capitalistic economic system precluded any of the poor from rising out of their poverty, that the poor were all locked into a caste system, and that no man of business could pursue his legitimate self-interest without being vicious: "To the poor Burke preaches resignation; to the bourgeoisie he justifies avarice." Burke's rejection of the state as the proper social agency to relieve the suffering of the poor is construed by Freeman as "forbidding pity for the starving." In each of these instances, and throughout his study, Freeman assumes the Marxist dialectics of class warfare, and charges Burke with having been complacent about the evils in the established order of Europe. In short, according to Freeman, it was impossible for Burke to defend the Christian commonwealth of Europe without being guilty of inhumanity to man.

Austrian Views

Economic Policy: Thoughts for Today and Tomorrow, by Ludwig von Mises, Chicago: Regnery/Gateway, Inc., 1979. ix + 106 pp. \$4.95.

WHEN HE DIED in 1973, at the age of 92, Ludwig von Mises had fought for sixty years as the doughty champion of the twentieth-century form of the Austrian School of Economics. Mises had himself developed this modern form of a nineteenth-century school, and it led him to an uncompromising adherence to a free-

market economy and to opposition to every form of government intervention. Neither Mises' political conclusions nor the characteristic Austrian emphasis on a philosophical analysis of the individual's purposive action was suited to the methodological or the ideological trends of the twentieth century. There could be no doctrine, or thinker, more at odds with the statism and with the mechanistic and behavioristic "social science" of our time.

Much of Mises' life was a lonely struggle against great odds. During the early 1930's, Mises' business cycle theory began to catch on among the brightest young English economists as an explanation of the Great Depression. Barely had his views taken hold when they were swept away in the feverish excitement of the Keynesian Revolution. Not that the Keynesians had bothered to refute the Misesian views; on the contrary, as in the case of so many changes of scholarly trend, the Austrian views were simply dropped or forgotten while everyone pursued the latest intellectual fashion. Reinforcing the vagaries of fashion was the vital fact that Keynesian thought, in contrast to Misesian, fit in beautifully with the swift advances toward collectivism that marked the 1930's.

Yet Mises continued to be of good cheer, and his brilliance and charm managed to ignite small sparks in the United States in the period following World War II. Sadly, Mises did not live to witness the revival of this once-forgotten school. In the year after his death, the first modern conference of Austrian scholars took place in Vermont, and in the same year Mises' most illustrious follower, F. A. Hayek, received the Nobel Prize. This was the first time that the Nobel Prize committee had strayed from the usual mathematical-Keynesian mold. During the same period, the severe stagflation of the 1973-75 recession threw the Keynesians into permanent disarray, since a simultaneous recession, heavy unemployment, and severe inflation were never supposed to happen. The fact that Misesian theory could explain such an odd phenomenon doubtlessly helped to spark the revival of Mises and of

Austrianism, which has been flourishing ever since.

In books, articles, papers, and symposia that have accumulated since the mid-1970's, there is still no suitable introduction to Austrian theory for the student or lay reader. This gap has now been partially remedied by Mises' wife, Margit, who has edited transcribed tapes of six lectures that Mises delivered at the University of Buenos Aires in 1958. These lectures are now published as *Economic Policy*. For those who were privileged to attend Mises' seminar at New York University this book has all the inimitable charm of his lecture style. Dealing with such broad topics as capitalism, socialism, and interventionism, Mises concisely and brilliantly puts his crucial ideas in incisive form, sprinkled, as was his custom, with contemporary and historical illustrative examples. *Economic Policy* will bring to the reader the rare quality of attending a Mises lecture.

Mises begins with a trenchant defense of the Industrial Revolution and the mass prosperity it brought into being. Most discussions of the Industrial Revolution, for and against, tend to get bogged down in dry statistical indices of wages and the cost of living. Mises gets to the heart of the matter swiftly. The point is that, before the Industrial Revolution of the late eighteenth century, Great Britain and the rest of Europe were bogged down in a caste system of stagnation and status: of feudal land, of crippling guild restrictions, of a literal pressing of population on food supply and subsistence. Consequently, a huge and growing number of poor "outcasts" and "sturdy beggars" were unemployed and doomed to starvation. It was the Industrial Revolution, produced by new, small businesses using saved and plowed-back profits, that created jobs for these outcasts, increased their living standards, and created manufacturing for the mass of consumers instead of custom handicrafts for the rich. For the first time in history capitalism had brought jobs and prosperity, as well as a world of mass production for the mass of consumers.

Mises correctly pinpoints the source of

the rising opposition to capitalism and to factories not in the masses themselves but rather in the landed aristocracy, who used their power in government to impose Factory Acts and regulations as a way to cripple this new and unwelcome source of employment for agricultural workers who no longer had to be content with subsistence wages on the old estate. Tory democracy was a hypocritical and demagogic weeping over the alleged plight of the industrial workers by a landed aristocracy that would have liked to return them to a far worse plight on the land. Mises also touches on his own brilliant theory of "caste": that there is all the difference in the world between groups or "castes" privileged or burdened by the State, and people who, on the free market, have temporarily low or high incomes. For the latter are not determined for all time but earned on the market in accordance with the changing ability to serve the bulk of consumers. Shirtsleeves do return to shirtsleeves in a few generations, if the consumers' needs are not efficiently met.

The Consumer as King forms one of the themes of Mises' chapter on socialism. Under socialism, as he points out, the direction of economic affairs is in the hands not of the consumers in a free market but of a board of dictators. The dictator, or commission, becomes sovereign, which means that, in effect, slavery replaces freedom. Mises is eloquent on the intimate interconnection between economic and personal freedom. If the government does the "planning," this means that individuals cannot plan for themselves. It also means that every aspect of an individual's daily life comes under the surveillance and control of the planner-dictators. Mises notes the irony of artists and writers calling for socialism when the planning board would be bound to give short shrift to any innovative and creative developments in the arts. "Freedom really means the freedom to make mistakes," writes Mises, even though many people will make mistakes and behave foolishly. Besides, he points out, if one concedes that it is legitimate to use coercion to prevent

people from drinking or smoking, then it must follow that censorship of books, movies, and music would be equally or even more legitimate.

It is only at the end of this book that Mises' analysis falters and leaves crucial problems unexamined. In the last lecture he rightly laments that politicians are only serving pressure groups seeking special privilege. What has happened, he wonders, to the older idea of politicians being motivated solely by the welfare of the entire nation? There are two points here that Mises and, in general, his followers overlook. First, why should we expect motivations to change when someone enters politics? After all, a businessman seeks monetary profit and a worker, monetary income. Should we expect the drive for monetary self-interest to change and be transmuted into an altruistic quest for the general welfare when someone enters politics?

Secondly, there is a good reason why pressure groups determine political outcomes rather than the average person. Mises observes that American sugar policy cartelizes the sugar industry on behalf of the producers and in violation of the manifest interests of the great bulk of the country. But the point here is that sugar producers, because of specialization and the division of labor, are producers twenty-four hours a day; they will be at work, unremittingly, to gain special privilege from the State. And the same will be true for each industry in turn. But to the average consumer sugar is a small part of his consumption; hence, his energy and attention devoted to this or to any other particular industry will be minimal. The necessarily eager minority will win out over the necessarily passive majority.

Politics itself is systematically loaded against the free market and in favor of intervention. To Mises the problem is merely to shift ruling ideas in society from interventionism and statism to freedom. But more is needed. The problem is not only ideas but also political institutions that are stacked against freedom. This is particularly true if the ideas of freedom are

couched only in terms of rational economic self-interest. A complementary moral theory of freedom, which rouses in human breasts a passion for justice and a revulsion against the injustice of special privilege, is needed to topple interventionism and restore the freedom to which Ludwig von Mises devoted his long and noble life.

Reviewed by MURRAY N. ROTHBARD

Unleashing Free Enterprise

Wealth and Poverty, by George Gilder,
New York: Basic Books, 1980. xii + 306
pp. \$16.95.

"HOW SWEET IT IS." So trumpeted a headline in *Human Events*, the conservative Washington weekly, immediately following the Reagan victory. The euphoria spread into the stock market where the Dow Jones Industrial Average raced up beyond the elusive 1,000 level. Not long afterwards, however, then Budget Director-designate David Stockman and Congressman Jack Kemp circulated a paper describing the harsh economic realities that the incoming Reagan Administration faced. The Stockman-Kemp paper spoke darkly of "an economic Dunkirk" unless drastic emergency fiscal steps were taken. Joseph Granville, a widely-read investment counselor, further pricked the euphoric bubble with a famous "sell everything" telephone and telegram message to his subscribers, causing the stock market to drop forty points in two days.

The Reagan Administration has now of course taken office and put into play a number of campaign pledges. Oil prices have been decontrolled; federal hiring has been frozen; the Council on Wage and Price Stability has been abolished; the last-minute "midnight" regulations of the Carter Administration have been suspend-