

How the Mises Institute Promotes Progressivism

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In previous essays, I have presented Ludwig von Mises's [scientific economics](#). Mises made arguments to support the proposition that a government is necessary in order to achieve the largest [sphere of capitalism](#). The economist's function, as he saw it, is to use his special knowledge of the [division of labor law](#) and of [how the entrepreneur role deals with scarcity](#) to evaluate arguments to the effect that the government should do more than enforce private property rights, free enterprise and control fraud in contracts. I also presented Rothbard's ethics, which he touted as economics. Rothbard argued that a government can only do harm. The role of the ethicist is to promote anarcho-capitalism, or Rothbard's [noninvasive society](#). Rothbard helped to set up the Mises Institute and used it to promote an erroneous and, in some cases, deceitful interpretation of Mises's writings. The relentless promotion of Rothbard's ethics at the expense of Mises's economics has, in my opinion, been largely successful in stifling the study of Mises.

Today, the best hope for reviving the economics that Mises taught lies with the best and brightest of the young progressives. Unlike the anarcho-capitalists, they accept government and aim to acquire the knowledge needed to evaluate proposals for the government to expand its intervention in capitalist market interaction. The representatives of Mises Institute, by pursuing an agenda of promoting an individualist ethics and anarcho-capitalism, have driven such students away from a study of the very Austrian economist after whom the Institute is named and whose economics taught the errors of progressivism.

Mises expressed the hope that his ideas would ultimately influence the intellectuals and opinion leaders of the militarily strong democracies. The Mises Institute dashed those hopes and, by doing so, inadvertently promoted progressivism. The aim of this essay is to show this and to present a means of reversing course.

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1. MISES'S HOPES AND WISHES

Mises was not only a scientist but an aspiring “helper.” He sought to use the new scientific knowledge to help people better achieve their material ends. In this, he faced the formidable obstacle of public opinion. No single person can help humankind avoid the pitfalls of counterproductive economic policy. The laws of a nation are made by the leaders in government. In a democracy, these leaders are influenced by public opinion. Their success or failure ultimately depends on whether the public accepts their ideologies and policies. If public opinion supports the policies favored by a politician, she gets elected and reelected. If public opinion opposes her favored policies, she loses to a rival.

Public opinion, in turn, is largely the consequence of molders of this opinion. The “common man” follows these molders and leaders of opinion ([Mises 1956: 15, 46, 86](#)). Mises writes that these molders and leaders consist mostly of intellectuals with frustrated ambition (HA: 9-14). The group includes “many lawyers and teachers, artists and actors, writers and journalists, architects and scientific research workers, engineers and chemists” (HA: 14).

Public opinion toward capitalism in the past has been largely shaped by the ideas of Karl Marx’s notion of social class (HA: 27-33). The molders of these opinions are “professors, ‘labor’ leaders, and politicians” (HA: 33). For the new science to influence public opinion, the economists must transmit it to the intellectuals and it must come to be expressed by opinion leaders in a form that is palatable to the common man.¹

It follows that the realization of Mises’s hopes rested with whether the intellectuals and opinion leaders would, indirectly, take actions that ultimately help ordinary people raise their standards of living over what they otherwise would be. His own experience provided little grounds for optimism. The best that he could reasonably expect is that his works would be understood by some of the intellectuals.

Mises must have reached a point in his declining months when he looked back proudly at his achievements. He must have realized the potential treasure of knowledge that he would leave behind. One can imagine a set of words that would express the hope he must have felt as he reviewed his achievements:

I did my best. Now, I hope that others will use my works to influence public opinion – the opinion of the common man – so that political leaders will make economic policies that will help society.

2. PROGRESSIVISM

A decade or so following Mises’s passing, Rothbard became the academic leader of the newly-formed Mises Institute. I described the destructiveness of the “economics” he proposed in my essay [Rothbard’s Ghost Haunting the Halls of the Mises Institute](#). My aim here is to show how Rothbard dashed Mises’s hopes and wishes. A critical concept is the ideology of progressivism.

¹See my essay “[The determinants of Public Policy: The Ideology of the Common Man](#).”

Mises on Progressivism

Today the main source of intervention arguments are the mix of ideologies that are named “progressivism.” Mises wrote about these ideologies and proposed means of combating them. He began by pointing out that, contrary to the thinking of the US liberals and progressives, the progressive ideologies originated in 19th century Europe. He located their origin in the social security policies of Otto von Bismarck (Mises 1927: xvii).

The Ideologies of Progressivism

Progressivism today is a mix of ideologies about government that are held by two groups: (1) interventionists who believe that the opportunity cost of intervention is near zero and (2) socialists who envision a centrally planned system but do not sufficiently attend to the details. The interventionist and socialist bent of the proponents of progressivism have not changed significantly since Mises wrote about the subject, although the population of self-proclaimed progressives has greatly expanded while the number of self-proclaimed socialists has correspondingly declined.²

He described the tenets of progressivism in a 1948 memorandum to Leonard F. Read, the founder of the newly-formed Foundation for Economic Education. Read was planning on a program to supplement the typical teachings on economics in high schools and colleges. Mises also described characteristics of the intellectuals who had typically taught such tenets. I discuss the tenets and the teachers in turn.

The Tenets of Progressivism

Mises lists ten tenets of progressivism. In the following, I condense and paraphrase them.

1. Current technical knowledge is sufficient to provide humankind with an abundance of material consumer goods.
2. Credit expansion under pure capitalism enables humankind to take advantage of current technical knowledge without waiting.
3. Unexpected credit expansion does not cause a trade cycle; a trade cycle is an inherent defect of capitalism.
4. The trade cycle that is inherent in capitalism, causes unemployment.
5. Anti-capitalist, pro-labor legislation has enabled workers to escape the harsh working conditions of the industrial revolution period.
6. Workers are better off today but they are still being exploited by the elite who have gained control over government. The elite class has enabled the rich to get richer and to diminish the size of the middle class.
7. Businesspeople set monopoly prices and wage rates. But for the minimum wage and collective bargaining, real wages would fall and profits would soar.
8. Cartels and monopolistic conglomerates dominate national markets for consumer goods and factors of production.
9. Businesspeople, motivated by profit, are responsible for the production of destructive weapons and other products that degrade the human condition.

²Socialism in the 1940s referred to the communism promoted by the central planners of the Soviet Union.

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10. Because the rich have so much wealth, a government can tax it away to support any policy without significantly affecting the production of material consumer goods.

Three major classes of policy proposals are implicit in these tenets: (1) the government should expand credit in order to finance desirable projects; (2) the government should interfere with markets in an effort to help one group as opposed to another; and (3) the government should fund various spending programs that the progressives regard as good.

Progressives promote each class of proposal on the grounds that, with the exception of the members of the minority capitalist class, the elite, or the rich, the policy will help individuals achieve their ends either sooner or more effectively than otherwise. Proponents of such policies either disregard the special knowledge possessed by the economist or they do not fully account for it.³ If the progressives were sufficiently effective in influencing the common man in the Western democracies, the elected political leaders would adopt policies that could not achieve the end of most fully satisfying wants for material consumer goods through time.

Three major classes of progressive policy proposals:

1. The government should expand credit in order to finance desirable projects.
2. The government should interfere with markets in an effort to help workers and consumers.
3. Various progressive government spending programs are good and should be funded.

Egalitarianism and Environmentalism

A major change in progressivism during the past century in the US has been the ideology of egalitarianism.⁴ This has been followed by a proliferation of government programs that progressives justify as efforts to help those with relatively low income and wealth. Until the 1930s, programs to provide aid to the poor and handicapped in the US were typically local and customized. In the latter half of the 20th century, that changed. The progressive income tax, beginning in 1913, paved the way toward raising taxes on individuals with relatively high incomes while the expansion of public welfare programs beginning in the 1930s allocated monies and services directly to individuals classified as poor. Also, beginning in the 1930s, state governments and eventually the federal government began to provide “unemployment insurance.” This is basically a program in which those who are employed and consumers of the products they help produce bear the bulk of the burden of giving money subsidies to individuals classified as unemployed. The Social Security Act, passed in 1935 and subsequently revised numerous times, is today primarily a subsidy to individuals who are elderly and judged to be poor, disabled, and in need. Qualified individuals are paid a fixed amount of money per month plus additional money for special services like medical care. Federal and state subsidies on particular services to people classified as poor in income and wealth have also

³This is knowledge of the division of labor law and of how entrepreneurs deal with scarcity, which was mentioned in the introduction to this essay.

⁴The term “egalitarianism” seems to have not been in Mises’s pre-1940s vocabulary. He used the term “egalitarian” in the 1920s to refer to a part of the socialist doctrine. He introduced the more modern version of the ideology in a 1951 essay on “Profit and Loss,” where he writes of the goal of equality as a progressive doctrine. He describes the history of egalitarianism in his book *Theory and History* (1957: 330-1).

expanded, largely as the result of legislation passed in the 1960s. Food subsidies, housing subsidies, child-care subsidies and so on are today either paid directly or provided indirectly through the income tax-subsidy system. Such programs are typically justified by the ideology of egalitarianism.

Environmentalism is an ideology that attained national and even global importance only after Mises retired from public life. The environmentalist maintains that individuals should be required by the government to restrict their actions in order to assure that future resources are sufficient to enable humankind to sustain their populations and standards of living. This ideology is marked by the mistaken view that standards of living are mostly dependent on the quantities of material factors of production. Those who hold it neglect human resources. They fail to account for the incentives and capacities (1) to discover new material resources, (2) to economize on existing material resources, (3) to substitute more plentiful material resources for those that are less plentiful. In short, the environmentalist neglects the inventive character of humankind, and (4) to invent new material resources.

The environmentalist's argument favoring restrictive policies in the use of material resources should not be confused with the economic argument for such policies. An economist recognizes that there is a cost of enforcing some legal rights and that it is impossible to enforce others. Economic arguments favoring restriction are based on a full consideration of the benefits of increasing the sphere of capitalism and of the costs. The task of the Misesian economist is to evaluate intervention arguments regardless of their source.

In recent years, the progressives have succeeded in shaping public opinion about material resources. As a result of their success, bureaucrats in the national government and even in international bodies control huge sums of money and coercive power. They use this power to restrict the use of material factors of production by the current generation of entrepreneurs.⁵

In the late 1960s and 1970s, environmental policies were financed by additional money creation. Since the 1980s, taxes and borrowing have been the main source of financing. Massive borrowing has been the most significant recent development. Progressives have paid little or no attention to the sacrifices that these financing methods have entailed or to the opportunity costs due to the interventions that have been adopted.

Who are the Progressives?

Mises identifies progressives in two ways. On the one hand, he classifies them according to ideology. The first are “consistent Marxians,” who advocate a centrally planned system, or socialism, to replace capitalism. The second are “moderate Marxians.” They “are eclectic in their appraisal of Marx” and “claim that they want to *save* capitalism.” The third group are socialists. They may join with progressives in the second group but they see intervention “as a method for the gradual realization of socialism” (Mises 1948: 157-8).

On the other hand, he classifies them according to occupational types. In HA, he identifies three groups: “professors, ‘labor’ leaders, and politicians” ([HA: 33](#)). In his discussion of progressive monetary policies in 1957, he treated progressivism as an ideology of academics, influential writers, and politicians (Mises 1957: 78). In his 1956 book on the “anti-capitalist mentality,” he also mentions the frustrated “representatives of science” (*ibid.*: 49).

⁵The ideology of environmentalism is a legacy of Thomas Malthus’s “principle of population.” In his 1957 book, Mises defines environmentalism in a way that is irrelevant to the discussion here.

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The “professors,” “representatives of science,” and progressive media act as referees. The adversaries are the extremist anti-capitalists, who call for confiscation of all profits, and the majority of the working class, who call for only partial confiscation. The referees present themselves as moderates. But this means that they “must stand for planning, the welfare state, socialism, and they must support all measures designed to curb the greed of management and to prevent it from abusing its economic power” (Mises 1956: 48-9).

In writing about the ideology of progressivism, Mises is referring to the ideologies about government held by the intellectuals. He is not referring to their personal ideologies. The progressive’s personal ideology is a helping one. The progressive wants to help “society.” Mises shared this personal ideology with the progressives although he defined help as increases in the amounts of material goods available to consumers.

3. EDUCATING THE BEST AND BRIGHTEST

The best of the new graduates of an effective progressive education are intelligent students who possess a particular end – to help others. For the purpose of this essay, I call the pool of such students the “best and brightest.” Some members of this pool are on track to replace and even surpass their teachers as advocates of progressivism. They have learned fallacious means of helping. But they will eventually be as good as, or better than, their teachers at articulating these means and of inventing new ones. At the moment, they are still students. They may have graduated from their institutions. But they are eager to scan the literature for additional knowledge that they did not learn from their teachers.

At this crucial stage of their lives, they are open-minded. They are convinced that they are as smart as, or smarter than, their teachers. They seek out new means of promoting progressivism and new ideas that their teachers had not considered or had erroneously rejected. They are even eager to learn ideas that challenge their progressivism. They recognize that their learning does not end when they graduate. They welcome invitations to supplement their education, hoping that such ideas will enable them to ascend the ladder of achievement in academia.

The best and the brightest are prime targets, one might presume, for the program Mises sought to transmit to Leonard Read. What better way for the best and brightest to achieve their ends than to learn about capitalism through Mises’s science of economics? In teaching the science, Mises exposed the most prevalent progressivist errors about how best to help society. A thorough study of his works would guide the best and the brightest through the hurdles posed by the erroneous, progressive, Marxist and socialist proposals of means of helping.

How the Mises Institute Repels the Best and Brightest

A decade or so following Mises’s passing, Rothbard became the academic leader of the newly-formed Mises Institute. He helped assemble contributors from colleges and universities and found bodies to fill the slots of “scholars” and “teachers.” He did not know Mises’s scientific economics. Moreover, his ultimate aim was to promote anarcho-capitalism. Accordingly, he selected academics who he believed would help him achieve his aim and rejected those who might have devoted the effort needed to learn Mises’s economics. When he died, those who he selected were best positioned to fill his shoes and to carry on his work. Today none of the scholars who have taken over the

various duties initially assumed by Rothbard has departed sufficiently from Rothbard's tutelage to learn Mises's economic science. More importantly, none of the teachers at the Institute today has tried to present a Misesian program that would appeal to the best and the brightest of the progressive students. Instead, they cater to students who agree with Rothbard's ethics-based conclusion about government or who are disposed to do so. Their aim is to gain converts to the anarcho-capitalist ideology that government is harmful. In essence, they promote Rothbard's ethics.

Today, the Institute representatives teach that the very premise of progressivism is misguided. They say that they progressives cannot help others by learning about government policies. All government action, they say, is coercive and therefore harmful. "Forget about trying to help," say the Institute teachers. "Learn about natural law, rightfully-acquired property and the noninvasive, anarcho-capitalist society." "Identify your natural rights and respect the natural rights of others. If everyone had such respect, the world would be peaceful, people would benefit from capitalism, and there would be no government oppression." "Instead of trying to help others by instituting government programs, learn our principled ethics and take comfort in the fact that these ethics are superior." "Governments have failed, including the US experiment in democratic government. And governments are destined to fail in the future at helping people."

The ethics of the Institute's representatives directly contradict the ethics of helping people and teaches the progressive students nothing about whether the policies they have learned to favor will actually work. It is repulsive to such students. The progressivist-oriented students are willing to entertain arguments that particular policies will not achieve the aim of helping but they reject, out of hand, the notion that government is bad or evil because it uses coercion. The Institute representatives teach about anarcho-capitalist ethics. Being repelled by this, the best and brightest return from their exploration with the view that Austrian economics contains nothing of significance to enable them to better help others. They end their exploration, being satisfied that they can learn nothing of significance from it.

If the only action taken by the Mises Institute teachers was to promote Rothbard's ethics, little damage would be done. However, the Institute is deceptively labeled and the teachers claim that learning Mises's economics is unnecessary since Rothbard has advanced beyond it. To learn Austrian economics, they say, it is sufficient to read Rothbard. So long as a student studies Rothbard's writings, she need not learn the economics of Menger, Böhm Bawerk, Mises or Hayek.

What Could Have Been

If Rothbard or any of his successors knew Mises's economic science, they could have tried to achieve the purpose that Rothbard stated in the preface to MES: "to isolate the economic, fill in the interstices, and spell out the detailed implications, as I see them, of the Misesian structure" (MES: xciv). Perhaps they could have formed a team to study Mises's books carefully in order to build templates to help the best and brightest learn the vast amount of subject matter that Mises presented. The templates would have targeted different classes of students. One template could have specifically targeted the best and the brightest. To build such a template, a competent team could have consulted the memorandum to Leonard Read.

An education program that was aimed specifically at the best and the brightest of the progressive students would have been persuasive. These students would have learned that all of the interventionist policies recommended by their teachers substantially reduce the amounts of material consumer goods produced in the long run below what they otherwise would have been.

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Knowledge of Economic Science is not Sufficient

The teachers in the progressive education programs not only advocate particular government policies, they also teach a method of predicting the effects of a change in policy. They teach economic positivism, or what Hayek called “scientism.” The economic positivist tries to emulate the methods of the natural sciences. She aims either to predict the future or to explain a past event. But she starts on the wrong foot. She assumes statistical regularities – regularities that she maintains are discoverable from the study of statistical classes. The positivist maintains that she can identify statistical categories and separate them from each other in the same way that the natural scientist can identify and separate the material factors that he proposes are contributing causes of an event that he aims to explain.

This method is doomed from the outset due to the [complexity of market phenomena](#). Nevertheless, it is attractive to the molders of public opinion. The common man is easily swayed by claims that what has happened in the past will be repeated. As a result, the Misesian economist must debunk this method if he wants these intellectuals to be able to combat the propaganda of their teachers. To do so is the hardest part of the education program. The teacher must succeed in doing what Mises tried to do, as he stated in his introduction. He wrote:

The system of economic thought must be built up in such a way that it is proof against any criticism on the part of irrationalism, historicism, panphysicalism, behaviorism, and all varieties of polylogism...It is no longer enough to deal with the economic problems within the traditional framework. It is necessary to build [this system of thought] upon the solid foundation of a general theory of human action, praxeology (HA: 7).

To achieve this requires no less than (1) teaching the limits of economic positivism, (2) teaching the method of building economic theorems that are required to comprehend market interaction under pure capitalism, and (3) teaching how to build the economic theorems that are required to evaluate intervention arguments on the basis of criteria specified by the proponents. Unless the best and brightest learn the lessons Mises taught in the early chapters of his treatise and in his part 4, they will not learn the proper methods of evaluating intervention arguments. Without this knowledge, they will not be able to challenge the claims of their positivist-oriented counterparts.

If the Mises Institute had been able to produce a program of study that taught students both the effects of intervention and socialism and the method of producing the economic theorems required to evaluate intervention arguments, the best and brightest would have been in a position to invent ways of helping that would surpass those of their teachers. They would have discovered means of persuading both their teachers and, more importantly, the next generation of helper students that the study of Mises's economics is productive.

The Brilliant Independent Student

Mises Institute administrators did not block the learning of Mises's new science. Beginning with Rothbard, they have used some of their contributor's money to subsidize the publication and sale of most of Mises's most important works. Moreover, they have offered such works as gifts. Today, practically all of Mises's writings are online and available to the public without charge. It is now *possible* to learn economic science from one's home or office. This outreach is not complemented by a learning template or even an appeal to read Mises's economic science. No one at the Institute asserts that learning Mises's economics will be useful in helping “society.” Still, the brilliant independent student could conceivably guide himself through Mises's works.

4. CONCLUSION

Rothbard's promotion of his ethical economics dashed Mises's hope for change in economic policy. It discouraged the best and brightest products of today's ideologically progressive schools from learning economic science. Because these students could not learn the science, they could not learn about the potential harm due to market intervention and socialism. Surely the Mises Institute did not intend to cause these prospective students to reject Mises's economics. The question is whether anyone at the Institute is in a position, after all these years of being under the Rothbardian influence, to recognize the Rothbard-led deviation from Austrian and Misesian economics.

[Other Austrian Economics Commentary](#)

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*In chronological order according to the time at which the original version was written.