

## Mises on Freedom and the Praxeological Law

### Outline

1. The Meaning of the Praxeological Law
  - a. Praxeological Law Equals Economic Law
  - b. Regularity and Interconnectedness
  - c. Restricted Freedom
  - d. More on Freedom
  - e. How the New Knowledge is Represented in Modern Professional Economics
2. [Mises on Freedom](#)
  - a. Freedom and Society
  - b. [The Praxeological Law Limits Freedom to Choose](#)
  - c. Government Required for Freedom
  - d. Taxes and Conscription
    - (1) Why Write about Conscription?
  - e. Controlling the Agents of Government
3. The Destructive Decision to Promote the 1949 Edition of Mises's Treatise
  - a. Did Mises Expand His List of Necessary Government Actions?
  - b. Did Mises Change His Definition of Freedom?
  - c. Claims about Conscription
4. Conclusion

In their writings and teachings, Mises Institute “scholars” have, in general, deferred to Rothbard’s ethics as the vanguard of a new Austrian economics. In my essay on the [How the Mises Institute Promotes Progressivism](#), I show how this decision repelled the best and brightest students from studying Mises’s economics. In pursuing their agenda, the scholars have also concealed the differences between Mises and Rothbard. One important way that they have done this is to publish a handsome 1949 first edition of Mises’s treatise *Human Action* (HA), and promoting it as the “Scholar’s Edition” (Mises 1998 – SE). Today, even if a person was to become interested in studying Mises’s economics independently, he is likely to be persuaded by the Institute that the 1949 edition is the best place to start.

Mises wrote three editions of the treatise over a twenty-six year period. The third was published in 1963, twenty-four years after the first edition. A final, revised version was published three years later in 1966.<sup>1</sup> Until the Institute began promoting the 1949 edition in 1998, the 1966 edition seems to have been regarded by students of Mises’s economics as definitive.

Although the differences between the first 1949 edition and the final 1966 edition are relatively minor in magnitude, the latter contains explanatory material that draws a much sharper line between the anarchy promoted by Rothbard’s ethics and the imaginary construction of pure capitalism that is the starting point of Mises’s scientific economics. The material in question consists of a set of replacement passages in a section of HA entitled “Freedom.” Mises deleted three of his relatively short introductory paragraphs on this subject, replacing them with three and a half pages of text that defend the proposition that government is necessary to maintain freedom and capitalism. In essence, he expands on the rationale behind his definition of capitalism as a system that contains a government and, correspondingly, that requires taxes and even conscription under some circumstances. He also reinforces earlier explanations of why the no-government situation, or anarchy, is not viable.

It is precisely this new material that three scholars at the Mises Institute referred to in order to justify the decision *not* to recommend the 1966 edition. The justification is made by Jeffrey M. Herbener, Hans-Hermann Hoppe, and Joseph Salerno (HHS) in their 1998 introduction. HHS explained their choice by saying that the substitute passages were less consistent with Mises’s other writings than the original three paragraphs. They support this conclusion with argumentation. Accordingly, one can assess their justification by examining this argumentation.

The examination presented in this essay shows that the replacement passages, rather than being less consistent with ideas contained in other Mises passages and writings, are an elaboration of such ideas. It also casts doubt on whether HHS are qualified to make such a decision. The implication is that the scholars erred in their interpretation of Mises. It must remain a matter of speculation whether the replacement passages were intended to be an answer to Rothbard’s definition of freedom in MES. The scholars did not state this possibility, suggesting that they were biased in their interpretation.

A critical part of my examination concerns the definition of the phrase “praxeological law,” which Mises employs in the new passages. Part One of this essay examines this phrase and shows that the scholars misunderstood its meaning. This sets the stage for a closer scrutiny of the replacement

---

<sup>1</sup>These statements rely on Hülsmann’s report that Mises made these changes first to a 1963 edition (Hülsmann 2007: 1023). Hülsmann viewed the new passages as adding “meat to the theory” that Mises had presented in the 1949 edition (Hülsmann 2007: 1023). He did not elaborate.

passages. Part Two analyzes the newer passages and shows that they are fully consistent with other passages and writings by Mises. Part Three then scrutinizes three deeper reasons given by the scholars for proposing that the passages were less consistent. Part Four ends with a brief conclusion. Since I will be comparing two editions of the treatise, I use the acronym SE to refer to the 1949 text which appears in the Scholar's Edition.

## 1. THE MEANING OF THE PRAXEOLOGICAL LAW

One of the difficulties of reading Mises's writings on praxeology is that he uses the term in two senses: pure praxeology and as the science that includes economics and other unspecified branches. I pointed this out in a note to the introduction to my essay "[Pure Praxeology, the Vocabulary of Action and Aprioristic Reasoning](#)." In this part, I show that he uses the term praxeological law to mean the deductions of economics. To a careful reader, this implies that when he uses the term "praxeological law" he must be referring either to the prerequisites and necessary characteristics of action or to a combination of these and subsidiary assumptions, which he uses to build economic theorems. In this part, I show how he uses the term praxeological law to mean the deductions of economics. To illustrate the problem, consider the following statement. It is the first part of a description of the summary lesson that Mises would like to have the readers of his treatise learn.

Man's freedom to choose and to act is *restricted* in a threefold way. There are first the physical laws to whose unfeeling absoluteness man must adjust his conduct if he wants to live. There are second the individual's innate constitutional characteristics and dispositions and the operation of environmental factors; we know that they influence both the choice of the ends and that of the means, although our cognizance of the mode of their operation is rather vague. There is finally the *regularity* of phenomena with regard to the *interconnectedness* of means and ends, viz., the praxeological law as distinct from the physical and from the *physiological law* (HA: 885, italics added).

I have italicized the terminology that I believe is likely to cause difficulty for the typical reader.

### Praxeological Law Equals Economic Law

Mises used the terms "praxeological law" and "laws of praxeology" to refer at least partly to "economic law" and "laws of economics. The terms do not refer to a proposition, or propositions, that are deducible, through reflection alone, from the meaning of action in general or action as a category. He has the broader meaning of praxeology in mind. To understand this meaning, a reader must also conceive of the subsidiary assumptions and imaginary constructions that are required to represent action and interaction under the conditions of capitalism.<sup>2</sup> Because of this, one might call the idea "economic." Mises confirms this fact when he uses the terms "economic law" and "laws of economics" to represent the same idea. Thus in his terms, "praxeological law" is a synonym

<p><b>Economic law:</b> the new knowledge discovered by the classical and individualist economists, as amended and fortified by Mises in his treatise. This knowledge is about the consequences of distinctly human action under the conditions of capitalism.</p>
--

---

<sup>2</sup>These assumptions and imaginary constructions are described in my essay "[The Imaginary Constructions of Economics](#)."

for “economic law.” For convenience and clarity of presentation, I will disregard the term “praxeological law” and exclusively use the term “economic law” in future discussion.

What, then is economic law? It refers to the new knowledge discovered by the classical and individualist economists, as amended and fortified by Mises in his treatise. This new knowledge is about how individuals, under capitalism, (1) are able to gain from the higher physical productivity of the division of labor and (2) are limited in their gains by scarcity. On the one hand, the economic law informs individuals how to achieve gains through capitalist interaction. On the other hand, it shows them that the gains under capitalism are limited by the entrepreneur role’s capacity to deal with scarcity of the factors of production. This knowledge is about the consequences of distinctly human action under the conditions of capitalism.<sup>3</sup>

### **Regularity and Interconnectedness**

Mises deliberately used the terms “regularity” and “interconnectedness” because he wanted the reader to compare the concepts of pure praxeology and the laws of economics with the laws of the natural sciences. In physics, regularity and the interconnectedness of phenomena is an assumption that the phenomena of the future will behave like those of the past, supported by experiments and observation. The assumption enables the user of his knowledge to reap the benefits of it. Mises writes that “inexorable regularity” and “inexorable interconnectedness of phenomena is present also in the field of human action.” As with the natural sciences, “acting man must recognize this interconnectedness too if he wants to succeed” (HA: 648, 761).

In the specific case of economics, interconnectedness refers to the “[regularities in market phenomena](#)” that were first observed in the operation of Gresham’s law (bad money drives out the good), of the quantity theory of money, and of seasonal price fluctuations. The observation of such regularity by early business writers was followed by the two comprehensive systems of economic theory invented, respectively, by the [classical and individualist economists](#). First the business writers observed connectedness and regularity. Then the economists built theorems in an effort to explain it.<sup>4</sup>

### **Restricted Freedom**

How does the economic law restrict freedom. It does so in two ways. First, because freedom is greatest under the conditions of capitalism, humankind must establish the conditions of capitalism. To do so, it must establish a government that employs coercion and compulsion and it must collect revenue to employ the factors needed to make and enforce laws. In the world as it is, capitalism cannot emerge without government restrictions on stealing, robbing, committing fraud, and

---

<sup>3</sup>This knowledge is of the [division of labor law and the law of consumer sovereignty](#).

<sup>4</sup>The concept of regularity and connectedness is described in the section “New Knowledge” in my essay “[Economics, Epistemology, and Popper](#).” The observation of such regularity by early business writers was followed by the [two comprehensive systems of economic theory](#) invented, respectively, by the classical and individualist economists. First the business writers observed connectedness and regularity. Then the economists built theorems, based on the theorem of the elimination of price differences, in an effort to explain it. Further evidence of the equality of the two terms in article on epistemological relativism (Mises 1961: 49).

maliciously attacking others' possessions or persons. In order for humankind to avail itself of the ability to cause a maximum of material consumer goods, it must establish a government to restrict the "freedom" to steal, rob, etc. Thus, in expanding freedom through capitalism, it necessarily restricts freedom by employing its coercion and compulsion.

Second, economic law restricts a government's ability to raise national wealth through market intervention. Humankind cannot take advantage of increases in the higher physical productivity of the division of labor if a government restricts individuals' rights to produce material consumer goods for each other and to deal with scarcity. Government agents are not motivated to identify gains from the higher physical productivity of the division of labor. Even if they were motivated, they could not identify the uncountable gains that entrepreneurial individuals under capitalism do. And they certainly cannot reduce the scarcity that the entrepreneur role faces under capitalism. The best way for a government to cause more material consumer goods to be produced is to establish and maintain the conditions of capitalism.

It follows that the "economic law," taken in its totality, is a shortcut way to express a hierarchical combination of (1) the human-made laws imposed by government agents that enable capitalism to emerge and continue and (2) the special knowledge of economists about the consequences of action under capitalism, namely, the possibilities of satisfying consumer wants under the division of labor law and the law of consumer sovereignty.

The isolated actor also conceives of limits on production possibilities because she experiences scarcity. So one might want to say that the economic law applies to her. However, the economist is not interested in depicting the system of choice by an isolated actor. He is interested in depicting market interaction in the presence of the division of labor.

### **More on Freedom**

The reader of HA can verify this meaning of "praxeological law" by interpreting two of Mises's statements that at first seem to be incomprehensible. The first concerns his definition of individual freedom. He writes that

In the market economy, the laissez-faire type of social organization, there is a sphere within which the individual is free to choose between various modes of acting without being restrained by the threat of being punished. If, however, the government does more than protect people against violent or fraudulent aggression on the part of antisocial individuals, it reduces the sphere of the individual's freedom to act beyond the degree to which it is restricted by *praxeological law*. Thus we may define freedom as that state of affairs in which the individual's discretion to choose is not constrained by governmental violence beyond the margin within which the *praxeological law* restricts it anyway (HA: 281, italics added).

Here he writes that in order to achieve individual freedom under capitalism, humankind must employ a government that performs specific functions described in this book. In short, humankind is restricted, on the one hand, from satisfying its wants for material consumer goods by scarcity. On the other hand, humankind may, through capitalism, cause some maximum amounts of consumer goods to be produced during a given period of time. To achieve this, it is necessary to have a government that performs the functions that are needed to establish and maintain capitalism. By using the term "praxeological law" in this context, he implies a capitalist economy with a government.

### **How the New Knowledge is Represented in Modern Professional Economics**

These terms and usage are bound to cause confusion among readers who are trained in modern professional economics, where the term “praxeology” does not appear, where the term “law” is not used in this way, and where restrictions on the production of material consumer goods are expressed mathematically by referring to production possibilities equations and curves. There is no reason to believe, however, that professional failed to make a distinction between the functions of government and the overreach of government as expressed in Mises’s statement about a government that goes beyond protecting “people against violent or fraudulent aggression on the part of antisocial individuals (HA: 281, as quoted above).

## 2. MISES ON FREEDOM

The purpose of this part is to scrutinize Mises’s decision to replace three paragraphs in the 1949 edition of the treatise with three and a half pages of text. The first two of the deleted paragraphs were about how the intellectuals of the past had used the terms “freedom and liberty.” He apparently did not regard these as necessary. The focus of the new text was the deleted third paragraph. The replacement pages were designed to expand upon the material in the third paragraph. The essence of the third paragraph is as follows:

Freedom and liberty always refer to interhuman relations...The self-sufficient individual is independent, but he is not free. He is at the mercy of everybody who is stronger than himself. The stronger fellow has the power to kill him with impunity...Only *societal conditions* can present a man with an orbit within the limits of which he can attain liberty (SE: 279-80, italics added).

### **Freedom and Society**

It is important to interpret this paragraph as Mises intended. In it, he associates freedom and liberty with living under societal conditions – i.e., living in *society*. To live under societal conditions is to live with others in an environment where individuals take advantage of the higher physical productivity of the division of labor through exchange and specialization. Mises had already defined society as cooperation due to purposeful behavior under the division of labor (HA: 143; SE: 153). In his earlier chapter on “Human Society,” he had written the following:

Of course, there will always be individuals and groups of individuals whose intellect is so narrow that they cannot grasp the benefits which social cooperation brings them. There are others whose moral strength and will power are so weak that they cannot resist the temptation to strive for an ephemeral advantage by actions detrimental to the smooth functioning of the social system...The anarchists contend that a social order...could exist without any compulsion and coercion for the prevention of action detrimental to society. [But an] anarchistic society would be exposed to the mercy of every individual. Society cannot exist if the majority is not ready to hinder, by the application or threat of violent action, minorities from destroying the social order. This power is vested in the state or government (HA: 148-9; SE: 148-9).

Thus, in 1949, he regarded government as part of the “societal conditions” necessary for individuals to take maximum advantage of the higher physical productivity of the division of labor and, therefore, to enjoy freedom and liberty. Also in 1949, he stated that government is necessary.

Consider again the paragraph that Mises replaced in the 1949 edition. In that paragraph, he did not remind the reader that such a cooperative society must contain a government to protect individuals from internal and external threats to capitalism. The replacement passages do.

### **The Praxeological Law Limits Freedom to Choose**

It has been shown that, in the 1949 edition, Mises regarded a government as necessary for capitalism. Yet his section on “Freedom” in that edition contained nothing positive about government. He did not reinforce in that section his earlier statement in HA that government is necessary for society. To correct for this omission, he introduces his 1966 discussion by revising his statements about freedom and liberty. Most significant is his idea that freedom is a “praxeological term” and that freedom is restricted by the laws of praxeology. The meaning of praxeological law was discussed in Part One of the essay. Regarding the meaning of freedom, he first writes generally about the individual as an actor.

As a praxeological term, freedom refers to the sphere within which an acting individual is in a position to choose between alternative modes of action. A man is free in so far as he is permitted to choose ends and the means to be used for the attainment of those ends (HA: 279).

Continuing his focus on the acting individual, he writes that freedom is restricted by two kinds of laws: the laws of the natural sciences and the laws of praxeology.<sup>5</sup>

A man’s freedom is most rigidly restricted by the laws of nature as well as by the laws of praxeology. He cannot attain ends which are incompatible with one another. If he chooses to indulge in gratifications that produce definite effects upon the functioning of his body or his mind, he must put up with these consequences (HA: 885).

He ends the paragraph by saying that while people agree that freedom is restricted by the laws of nature, they do not appreciate “the laws of praxeology.” In interpreting this statement it is important to keep in mind that he had already written that freedom is intelligible only if it refers to interhuman relations. This leaves no doubt that the laws of praxeology here include the theorems discovered by the economists – the economic laws. Consistent with this, he incorporates the restrictions on freedom due to the laws of economics. He explains that the [division of labor law](#) is no less rigid a law in “determining the outcome of all human action than are the laws of physics” (HA: 280). He means that humankind will be able to expand freedom only to the extent that they take advantage of the new knowledge in economics just as they can expand freedom through advances in physics. The point to be taken from this discussion is that Mises means for the term “laws of praxeology” to include the laws of economics. He has in mind the division of labor law and the law of consumer sovereignty. The scarcity implied by these laws limits freedom to choose in the same way that the laws of nature restrict freedom to choose. Both individuals in market interaction and government agents who aim to improve conditions are restricted by scarcity. Nevertheless, if there is market intervention, human beings may be able to expand the sphere of freedom by increasing the sphere of capitalism.

---

<sup>5</sup>As pointed out in Part One of the essay, in his conclusion to the treatise, Mises included a third restriction – person-specific, innate characteristics and dispositions (HA: 885, as quoted above).

### **Government Required for Freedom**

A paragraph later, he introduces the relationship between freedom and government. To assure freedom, he writes, individuals must stop robbery.

[A] man who chooses to resort to robbery upsets the whole social order. While he alone enjoys the short-term gains derived from his action, the disastrous long-term effects harm all the people. His deed is a crime because it has detrimental effects on his fellow men. If society were not to prevent such conduct, it would soon become general and put an end to social cooperation and all the boons the latter confers upon everybody (*ibid.*).<sup>6</sup>

What he means by “society” here are the government agents, who the citizens call its government. One of the government functions is to preserve peace.

In order to preserve the state of affairs in which there is protection of the individual against the unlimited tyranny of stronger and smarter fellows, an institution is needed that curbs all antisocial elements. Peace – the absence of perpetual fighting by everyone against everyone – can be attained only by the establishment of a system in which the power to resort to violent action is monopolized by a social apparatus of compulsion and coercion and the application of this power in any individual case is regulated by a set of rules – the man-made laws as distinguished both from the laws of nature and those of praxeology. The essential implement of a social system is the operation of such an apparatus commonly called government (*ibid.*).

Note that he distinguishes here between man-made laws that are required for humankind to enjoy freedom and two other classes of laws which he had already defined: the laws of nature and those of praxeology.

Next he reinforces his view that the government is necessary for humankind to attain freedom. He writes that if coercion is directed toward the “suppression and prevention of antisocial action,” it does not reduce freedom.

Even if there were no government enforcing man-made laws, the individual could not have both the advantages derived from the existence of social cooperation on the one hand, and, on the other, the pleasures of freely indulging in the rapacious animal instincts of aggression...[In order to maintain] the sphere within which the individual is free to choose” [i.e., in order to assure freedom, the government must] protect people against violent or fraudulent aggression on the part of antisocial individuals...” [Freedom in the context of a society based on the division of labor is thus defined as a] state of affairs in which the individual’s discretion to choose is not constrained by governmental violence beyond the margin within which the praxeological law restricts it anyway (*ibid.*: 281).

In the last sentence in this passage, Mises makes his definition of freedom clear. For freedom to exist, there must be a government. However, to achieve the highest level of freedom, government agents cannot be permitted to intervene more than is necessary to control internal violence, to maintain peace, and to establish and maintain other conditions of capitalism.

### **Taxes and Conscription**

Next he turns to the question of the more specific actions that government agents would have to take in order to provide the conditions of freedom. It is obvious that the magnitude of the threats to freedom at any given time depends on the strength of the government, as compared with the estimated strength and immediacy of the threat. Recognizing this, he deals first with an action that

---

<sup>6</sup>One must excuse Mises’s use of the term “society” in this passage to refer to its members.

would seem to be most objectionable to Rothbard and anarcho-capitalists, namely conscription. He writes that the

essential task of government is defense of the social system not only against domestic gangsters but also against external foes. He who in our age opposes armaments and conscription is, perhaps unbeknown to himself, an abettor of those aiming at the enslavement of all (*ibid.*: 282).

It is essential to recognize the qualifier “in our age.” He is probably referring mainly to military nationalism and the technological advances in warfare that had occurred since the beginning of WWII. In his 1944 book, he had focused specifically on the military nationalism of the Nazis. He wrote:

There is but one means to save our civilization and to preserve the human dignity of man. It is to wipe out Nazism radically and pitilessly. Only after the total destruction of Nazism will the world be able to resume its endeavors to improve social organization and to build up the good society. The alternative is humanity or bestiality, peaceful human coöperation or totalitarian despotism. All plans for a third solution are illusory (Mises 1944: 237).

There can be little doubt that he was concerned with the prospect of a future military aggressor whose leaders subscribe to an ideology similar to that of the Nazis. He was not advocating conscription as a necessary requirement for capitalism under all conditions. His concern was with an imminent threat using technologically superior weaponry. He was aware that the instruments of waging an aggressive war had changed. Prior to World War II, the US had been insulated from the threat posed by military aggressors who employ new weapons. In fact, the US was a supplier of armaments to the nations that were fighting against the Nazis. But new weapons made the US homeland vulnerable. So long as the imminent threat exists, the only way to protect capitalism is to destroy that threat without pity or mercy.

Mises does not write here about the military nationalism of the Soviets in the early 1960s. But one must presume that he would have supported US taxation to provide a deterrent or perhaps even a preemptive strike in light of the Soviet nuclear missile threat. In any case, his message was that the citizens of a nation who want to maintain the sphere of capitalism (the orbit of liberty) must be prepared to meet all serious threats to it with actions that will eliminate that threat. To protect the person and property of its citizens in the face of military aggressors who are bent on total war, the people must sacrifice legal rights that could exist in a less threatening situation.

### *Why Write about Conscription?*

Why did Mises write about conscription? A superficial answer is that by doing so, he could direct the reader to think about what he regarded as the external threats to capitalism, as described in Part Two of my essay on [Rothbard’s Competing Defense Agencies in Capitalism](#). It also seems likely that he was answering Rothbard’s definition of intervention. In MES Rothbard asserted that conscription is an intervention (MES: 878). He wrote further in PM about how so-called “champions of the free market” fail to recognize conscription as an infringement on freedom and intervention. He wrote that

many economists who profess to be champions of the “free market” and opponents of interference with it have a *peculiarly narrow* view of freedom and intervention. Acts of binary intervention, such as conscription and the imposition of income taxes, are not considered intervention at all nor as interferences with the free market. Only

## 10 Mises on Freedom and the Praxeological Law

instances of triangular intervention, such as price control, are conceded to be intervention. Curious schemata are developed in which the market is considered absolutely “free” and unhampered despite a regular system of imposed taxation (MES: 1060, italics added).

This chapter apparently was also in his 1950s manuscript (MES: lxi) and was probably read by Mises. If so, Mises would certainly have seen the passage as a criticism of his concept of freedom. He surely would have objected to Rothbard’s characterization of his views as being “peculiarly narrow.”<sup>7</sup>

As I showed in part one of my essay on [Statism and Democracy: Mises vs. Rothbard](#), have shown in this part, Mises defined freedom differently from Rothbard. Whether conscription is an infringement on freedom depends on the nature and magnitude of the external threat to individuals and to the sphere of capitalism.

### **Controlling the Agents of Government**

Mises makes it clear in his chapter 27 on the relationship between the government and the market that a government is required in order for people to benefit from the higher physical productivity of the division of labor. He writes that

peaceful social cooperation is impossible if no provision is made for violent prevention and suppression of antisocial action on the part of refractory individuals and groups of individuals. One must take exception to the often-repeated phrase that government is an evil, although a necessary and indispensable evil. What is required for the attainment of an end is a means, the cost to be expended for its successful realization. It is an arbitrary value judgment to describe it as an evil in the moral connotation of the term (HA: 719; SE: 715).

The government, however, consists of agents who may have incentives to expand their power and, in doing so, to interfere with the conditions of capitalism. To express this, Mises writes:

The state, the social apparatus of coercion and compulsion, is by necessity a hegemonic bond. If government were in a position to expand its power ad libitum, it could abolish the market economy and substitute for it all-round totalitarian socialism. In order to prevent this, it is necessary to curb the power of government. This is the task of all constitutions, bills of rights, and laws. This is the meaning of all struggles which men have fought for liberty (HA: 283; SE: 281).

Mises’s concluding two sentences of the treatise are as follows.

It rests with men whether they will make the proper use of the rich treasure with which this knowledge provides them or whether they will leave it unused. But if they fail to take the best advantage of it and disregard its teachings and warnings, they will not annul economics; they will stamp out society and the human race (HA: 885; SE: 881.)

---

<sup>7</sup>Also noteworthy is Mises’s 1958 lecture at the Mont Pelerin Society, which contains very similar passages on the necessity of government and the need for democratic institutions to control it (Mises 1958b: 34-7).

The implication of these statements and earlier statements is that humankind may fail to take advantage of the special knowledge produced by the economist if (1) government leaders disregard it in their policy making, (2) if the people fail to guard sufficiently against the expansion of power by government agents by establishing democratic institutions or (3) citizens adopt ideologies about government that neglect capitalism or the democratic institutions required for the peaceful change of government.

How can people control the actions of their leaders and guard against the expansion of government power? One answer is that they may establish democratic institutions. Even democratic institutions will not suffice, however, unless a sufficient number of ordinary

voters – of common men – possess the required ideologies about government. Democratic institutions and the ideology of the common man are discussed in my essay [“Mises on the Determinants of Public Policy.”](#)

**Mises on reasons why people may fail to take advantage of the special knowledge of economics:**

1. Government leaders may disregard this knowledge in their policy making.
2. Citizens may fail to guard sufficiently against the expansion of government power; in particular, they may fail to establish the necessary democratic institutions.
3. Citizens may adopt ideologies about government that neglect capitalism or the democratic institutions required for the peaceful change of government.

### 3. THE DESTRUCTIVE DECISION TO PROMOTE THE 1949 EDITION OF MISES’S TREATISE

The decision by the leaders at the Mises Institute to reject the 1966 edition as their “Scholar’s Edition” was remarkable since Mises himself approved of the newer edition. There are only two major differences between the two editions – the added pages on freedom described in Part Two of this essay and additions to a section on capital in his chapter 15. The latter concerns the use of the term “capital.” It is of no interest here.

HHS give three reasons for their desire to disregard the added pages. These are (1) that the passages include a more expansive list of actions performed by a government, (2) that Mises changed his definition of freedom and (3) that the new passages condone conscription. In this part, I discuss each of these in turn.

#### **Did Mises Expand His List of Necessary Government Actions?**

First, HHS argue that the “focus” of the newer edition is different. In particular, they write that the new pages on freedom “introduce a different focus on the necessary and specific powers of government, which appear rather expansive by Misesian standards” (SE: xxii). They cite a passage in the new pages in which Mises says that taxes are required for “courts, police officers, prison, and of armed forces” (*ibid.*). The implication is that Mises did not recommend such government activities in the 1949 edition.

They are wrong. In the 1949 edition, Mises represented the coercive potential of the government by using the term “police power” (HA: 283; SE: 281). For example, he writes that the “market economy cannot do without a police power safeguarding its smooth functioning by the threat or the application of violence against peace-breakers” (HA: 324; SE: 321). Nevertheless, one can conclude

that he had in mind the full range of services that, in recent decades, have been called “criminal justice.” For he also writes:

In the market society direct compulsion and coercion are practiced only for the sake of preventing acts detrimental to social cooperation. For the rest individuals are not molested by the police power. The law-abiding citizen is free from the interference of *jailers* and *hangmen* (HA: 287; SE: 285, italics added).

Not only jailers and hangmen but also penal courts are part of the system (HA: 288; SE: 286). And although there is no equivalent use of the term “armed forces,” Mises does write about taxes and possibly other restrictive measures that he regards as necessary for national defense (HA: 745; SE: 738).

These quotations show that Mises’s references to the criminal justice system in the 1966 edition were comparable to those in the 1949 edition. They are not evidence of an expansive definition of government. The same is true of his reference to taxes. In his elucidation of market interaction, he employed an image of the evenly rotating system in which “the treasury continually levies taxes and spends the whole amount raised, neither more nor less, for defraying the costs incurred by the activities of the government’s officers” (HA: 737; SE: 730). The reader will also recall that a function of the [evenly rotating system](#) is to help elucidate the relationships among the prices of the final goods and the factors of production. The evenly rotating system is the basic construct with respect to which the economist defines a number of other constructs that are necessary to build economic theorems. It follows that Mises meant his imaginary construction to be sufficiently broad to include the effects of taxes on price relationships.<sup>8</sup> Since the purpose of these imaginary constructions was to create a vocabulary to express interaction under the conditions of capitalism, it is evident that he wanted taxes to be part of the image of pure capitalism.

It is evident from his statements that Mises’s economic theorems were built on the assumption that a government is necessary. He expressed the idea that taxes must be raised to support a criminal justice system and national defense in both the 1949 and 1966 editions. For him to state and embellish this idea, as he does in the replacement pages, is not an expansion of his list of the actions that a government must perform. It is an elucidation.

### **Did Mises Change His Definition of Freedom?**

Second, HHS assert that Mises alters his definition of freedom. They *speculate* that in the earlier editions, he aimed to define freedom as the absence of “actions that infringe on someone’s person or property without his agreement” (SE: xxii). They cite no references. Apparently, their assertion comes directly from the Rothbard play book. As Rothbard conceives it, freedom is achievable only in the absence of invasive actions. Actions by a government always infringe upon freedom since they entail coercion. Such reasoning does not apply to Mises.

Their speculation is associated with their interpretation of the term “arbitrary.” In the 1949 edition, Mises wrote that a “man is free as far as he can live and get on without being at the mercy of arbitrary decisions on the part of other people” (SE: 279). He replaced the paragraph in the 1966 edition. HHS interpret “arbitrary decisions” to mean “actions that infringe on someone’s person or

---

<sup>8</sup>Thus he writes that taxation based on ability to pay incentivizes spending on consumer goods by middle income groups and disincentivizes saving and capital accumulation by the higher income groups (HA: 738).

property without his agreement.” However, Mises did not regard taxation to maintain the conditions of capitalism as one of these arbitrary decisions. Their error is to interpret this term through a Rothbardian lens. It is Rothbard, not Mises, who defines freedom as an absence of infringement – or, more accurately, as an absence of coercion.

That HHS are thinking of Rothbard is evident from two other comments in their justification. The first is their concluding statement in which they parrot Rothbard’s idea that taxes are a form of intervention. Referring partly to compulsory taxes, they write that Mises’s “original definition [of freedom], more specific and stringent, rules out arbitrary *interventions* altogether” (SE: xxii, italics added). Mises did not rule out interventions in Rothbard’s sense. In MES, Rothbard called the mandatory payment of taxes an intervention and an invasive action. When they use the term “intervention,” HHS have Rothbard in mind. Mises defined an intervention differently. He said that an intervention is a government action that goes beyond that which is required to support the widest practical sphere of capitalism. For such an intervention, he recommended, as a scientist, that each proposal be evaluated according to whether it could achieve the aims of its proponent, in light of the division of labor law. That this is so can be demonstrated from his treatment of interventions in Part 4 of the treatise.<sup>9</sup>

Finally, they parrot Rothbard’s absurd claims about natural rights and secession from his 1981 article “The Laissez-Faire Radical: A Quest for the Historical Mises.”<sup>10</sup> They claim that the new pages are “at odds with Mises’s defense of secession, which he elevated to the rank of a core principle of the liberal program...” Moreover, the parroting is done without citing Rothbard’s article as their source. If they had published this introduction in a typical academic environment, such a failure to cite sources would be called plagiarism.

### Claims about Conscription

The third reason that HHS give for wanting to disregard the added pages is that Mises “permitted” conscription. I discussed Mises’s argument favoring conscription under extreme circumstances in the second part of this essay. Mises wrote that conscription might be necessary in the face of an aggressive militarist foe who must, at all costs, be stopped in order to assure the maintenance of the conditions of capitalism. HHS do not discuss Mises’s rationale. Instead, they claim that Mises’s permission of conscription contradicts writings that preceded the 1949 edition. They support their claim with two sources. The first is the plagiarized Rothbardian misrepresentations described above.

---

<sup>9</sup>One good reason to evaluate each argument separately is the fact that an intervention may be intended to solve problems that professional economists have labeled “adverse incentives” and “moral hazard.” Adverse incentives is associated, among other things, with incomplete private property rights, including the case of inventions of new products and methods of production. The best example of moral hazard is deceit and fraud.

<sup>10</sup>Rothbard’s erroneous representation of Mises views on self determination and secession were described in my essay “[Rothbard's Illusion that Mises was a Radical.](#)”

The second is a short passage translated from the 1940 German-language edition of the treatise. Most likely, either the translation is incorrect or it is taken out of context. Since I am not fluent in German, I will say nothing more about this issue.<sup>11</sup>

#### 4. CONCLUSION

Rothbard did not learn Mises's economics, as illustrated by his articles in the 1950s and *MES*. Nevertheless, many of his writings referred to Mises's text or to the ideas he claimed Mises held. Aside from his unpublished early criticism of what he mistakenly claimed was Mises's ethical relativism,<sup>12</sup> Rothbard did not criticize Mises until after he passed away. Nevertheless, his definition of freedom, the free market, and market intervention differed vastly from the definitions used by Mises. Mises must have been aware of these differences as well as of his erroneous interpretations of praxeology, economics and the epistemological problems of the sciences of human action. Yet he chose not to criticize his interpretations openly. In the pages he added to the 1966 edition of *HA*, he seemed to respond to Rothbard's belief that a noninvasive society is possible. But he did not mention Rothbard. Because Rothbard used words that are similar to those used by Mises and because Mises's writings are difficult for a casual modern reader to comprehend, such a reader is inclined to accept Rothbard's interpretation. Such a reader would be making a big mistake.

In later years, after Mises passed away, Rothbard became the editor of the first academic journal with the title "Austrian Economics." The journal began publication in 1988 and was sponsored by the Mises Institute. Rothbard was paid by the Institute as a teacher and mentor of new students. In these positions, he had a major influence on the definition of Austrian economics that emanated from the Institute and on the interpretation of Mises's economics.<sup>13</sup> After he passed away in 1995, his followers and sympathizers sought to fill his administrative and teaching shoes at the Institute. Among other things, they took over his project of promoting anarcho-capitalism. The choice of the first edition over the final edition endorsed by Mises is just one case among many in which the Institute has promoted Rothbard over Mises.

---

<sup>11</sup>That Mises's reference to conscription was not new is evident from his discussion of the British attitude toward Germany prior to WWII (Mises 1944: 187).

<sup>12</sup>See the section entitled "Critique of Mises's Alleged Ethical Relativism" in my essay "[Rothbard's Critique of Mises's Value Freedom](#)."

<sup>13</sup>Even before that time, a group of largely anarcho-capitalists gathered around him when he lectured or joined impromptu social gatherings.

---

[Other Austrian Economics Commentary](#)

**Please send feedback:**

**Email:** [gunning@nomadpress.com](mailto:gunning@nomadpress.com)

**Go to Pat Gunning's Pages**

---

References\*

Hülsmann, Jörg Guido. (2007) *Mises: The Last Knight of Liberalism*. Mises Institute, Auburn, Alabama.

Mises, Ludwig von. (1966) *Human Action: A Treatise on Economics*. Chicago: Henry Regnery Company. Third revised edition. First published in German in 1940. First English edition published in 1949.

Mises, Ludwig von. (1998) *Human Action, Scholar's Edition*. Auburn, AL: Mises Institute. First published in German in 1940. First English edition published in 1949.

Mises, Ludwig von. (1985 [1944]). *Omnipotent Government: The Rise of the Total State and Total War*. Spring Mills, PA: Libertarian Press.

Ludwig von. (1961) "Epistemological Relativism in the Sciences of Human Action." In Helmut Schoeck and James W. Wiggins. *Relativism and the Study of Man*. Princeton, NJ: D. Van Nostrand. Reprinted in Richard Ebeling (ed.). (1990) *Money, Method, and the Market Process: Essays by Ludwig von Mises*. The Netherlands: Kluwer Academic Publishers.

Rothbard, Murray. (2004) *Man, Economy, and State with Power and Market*. Auburn, Ala.: Ludwig von Mises Institute.

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