

Rothbard's Distorted Image of the Free Market

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The subject of this essay is the imaginary construction of the "free market." Users of this term do not tout its imaginary nature. Yet it is evident that economists could never represent the total reality of interaction under the conditions of capitalism. Interaction under these conditions contains the intertwined actions of numerous actors. Each of these possesses personal wants and specialized knowledge of how to earn money to satisfy her wants. To describe the complexity of this interaction – and to assess proposed policies toward capitalism – economists must employ imaginary constructions to produce economic theorems.

While these statements about the free market are obviously true, there has not been uniform agreement on the meaning of this term. Of particular significance to late 20th century Austrian economics was the new image that was introduced and promoted by Murray Rothbard. The distinguishing feature of his image was the absence of government.

Rothbard used his image to teach a brand of ethics that differs markedly from that taught by the Austrian economists who preceded him and by many of those who call themselves Austrian

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economists today.¹ Mises, Hayek, and all other Austrian economists who preceded Rothbard built an image that contains a government. The government, they maintained, is necessary to assure the conditions of capitalism. Thus, from the standpoint of the history of Austrian economics, Rothbard presented a *distorted* image of the free market. It is true that many previous writers sometimes did not mention the government. They wrote as if it was possible for private property rights and free enterprise to exist without a tax-supported monopoly over coercion and compulsion. But they implicitly assumed it.

There is a second sense in which the word “distorted” is the proper characterization of Rothbard’s image. Rothbard presented his ethical system in his grand treatise *Man, Economy and State*. It is possible to infer from his statements about violence that he was employing an image that contains no government. However, he did not come right out and say it. On the contrary, he gave the impression that he was teaching an economics that is similar to that of Mises, who he claimed to be emulating. His rhetoric and order of presentation suggests similarity and, therefore, that his teachings are based on Mises’s economics. Since he used examples that are likely to have been more familiar to English readers, his ethics also seems more palatable to the modern reader, particularly to beginning students of the subject of Austrian economics. As a result, his decision *not* to highlight the difference between his image of the free market and that of Mises could only result in misconception. A reader of Rothbard who had not also carefully read Mises is likely to be unaware of the conflicting images of the free market.

Rothbard’s implicit claim that he was presenting the economics instituted by Mises cannot be sustained because their respective images of the free market are very nearly polar opposites. Mises’s image of the free market contains a government that not only collects taxes but which, if needed for the purpose of dealing with reality, can impose conscription.²

Only later, after an aged Mises had retired from academic life, did Rothbard state explicitly that his image of the free market contains no government. At that point, he began to publish books that employed his new image.

In this essay, I show that the conception of Rothbard’s treatise as an extension of Mises’s economics is erroneous because of his different image of the free market. Once one recognizes this, it is easy to understand why, in his later years, Rothbard was able to nurture a group of followers who have been unable to articulate Mises’s scientific economics. One can understand why both Rothbard and his followers at the Mises Institute have been inadvertently responsible for what I have called the [promotion of progressivism](#).

The essay makes explicit the image of the free market presented by Rothbard and shows how its use leads to conclusions about economic policy that are very different from those of Mises. Part One compares the two images of the free market. Part Two shows how the different images lead to different conclusions about policy and to different concepts of the field of economics. It also discusses the unrealistic nature of Rothbard’s image. Part Three presents a brief conclusion.

¹Rothbard claimed to teach economics. I showed that this claim was false in my essay “[Rothbard’s Ethics of the Non-invasive Society](#).”

²See Part One of this essay.

1. MISES VS. ROTHBARD ON THE IMAGE OF THE "FREE MARKET"

Mises's and Rothbard's images of the free market were very different. The implications of this difference are huge. Mises designed his image specifically to facilitate the evaluation of arguments in favor of or opposed to proposals for market intervention (*intervention arguments*). Because all capitalist economies up to now have had a government, his image at least had the potential of being relevant to the task. Rothbard's designed his image to show that all government actions have harmful consequences because they entail violence. On this basis, he proceeded to promote a capitalist economy with no government – anarcho-capitalism. However, his image was unrealistic. It was based either on unrealistic assumptions about how people actually act or on fanciful assumptions about how people *ought* to act. As a result, he could not use it to make realistic evaluations of government policy. Unlike the economists of history, including the Austrians, he made no contribution to the problem of helping policy makers decide which policies are best. Instead, he used his image to engage in wistful fantasizing about a utopian society.

Mises's Free Market Designed to Help Evaluate Interventionist Arguments

Mises defined government as the monopoly over coercion and compulsion that assures the conditions of capitalism. The conditions of capitalism that are relevant to government influence are private property rights, free enterprise, and the use of money and credit. There is an obvious need for a monopoly over coercion and compulsion to establish private property rights and free enterprise (see below).

The Evaluation of an Intervention Argument

Mises first produced economic theorems about market interaction under the conditions of what he called a "pure, unhampered market economy." A simpler and in many cases preferred term is "pure capitalism." Mises also used the term "free market."³ It contains a division of labor, complete set of private property rights, completely free enterprise, the use of money, and no fraud. The capitalist economies of the real world do not contain these conditions in their pure form. Real market interaction occurs under a variety of incomplete private property rights, under only partially free enterprise, under monetary intervention and deceit, and under incomplete enforcement of contracts. Nevertheless, because there are so many variations, the only way to build an image of it that is suitable for evaluating an intervention argument is to start with pure capitalism.

To evaluate intervention arguments, Mises refined his image of pure capitalism to contain "isolated acts of intervention." He defines an intervention in the following way.

The intervention is a decree issued directly or indirectly, by the authority in charge of society's administrative apparatus of coercion and compulsion which forces the entrepreneurs and capitalists to employ some of the factors of production in a way different from what they would have resorted to if they were only obeying the dictates of the market (HA: 718.).

The evaluation of some arguments may require an additional modification in order to take account of the special conditions assumed in the argument. For example, the proponent of the

³In the treatise, Mises used the term "free market" sparingly. That he used it in the way described here is evident at in Mises's treatise, *Human Action* 1966: 282 – HA.

argument may assume that private property rights are incomplete, that free enterprise is already constrained, or that monetary intervention by government is an ongoing phenomenon.

Examples

The best examples of Mises's use of imaginary constructions to evaluate intervention arguments are in his chapter on "measures which are directly and primarily intended to divert production (in the broadest meaning of the word, including commerce and transportation) from the ways it would take in the unhampered market economy" (*ibid.*). An example is "pro-labor" legislation. He reaches two conclusions about this intervention. The first is that such an intervention will lead to a reduction in "the total amount of goods produced and thereby in the average per capita consumption." Everyone, even the workers, will be affected by this change. The second is that the intervention may not achieve the objective of raising the wages of workers. Whether it does depends on whether the intervention can raise the marginal value product of the labor in question (HA: 746).

The criterion Mises uses to evaluate an intervention argument is whether the intervention achieves the ends of its proponent. In the case of interventions that entail restrictions on production or output, he writes:

Economics neither approves nor disapproves of government measures restricting production and output. It merely considers it its duty to clarify the consequences of such measures. The choice of policies to be adopted devolves upon the people. But in choosing they must not disregard the teachings of economics if they want to attain the ends sought (HA: 748).

In the case of a maximum price, he writes:

It is obvious that the government has the power to decree maximum prices and to imprison or to execute those selling or buying at a higher price. But the question is whether such a policy can or cannot attain the ends which the government wants to attain by resorting to it. This is a purely praxeological and economic problem (HA: 722).

He makes the same point in his treatment of the tariff, where he applies the distinction between short run interests and long run interests (HA: 749-55).

Mises does not assert that any particular intervention achieves the ends of the people. Nevertheless, he does cite cases in which citizens have seemingly decided that the benefit exceeds the cost. These include fire prevention (HA: 748) and a national park (HA: 756).

There are certainly cases in which people may consider definite restrictive measures as justified. Regulations concerning fire prevention are restrictive and raise the cost of production. But the curtailment of total output they bring about is the price to be paid for avoidance of greater disaster. The decision about each restrictive measure is to be made on the ground of a meticulous weighing of the costs to be incurred and the prize to be obtained. No reasonable man could possibly question this rule (HA: 748).

He writes here about the opportunity costs of these projects. It is noteworthy, however, that he does not refer to privately-supplied fire prevention.

Taxes

Freedom and the market economy require maintenance and, therefore, resources. This means taxes (HA: 282). To what extent should the agents of government be permitted to exercise their powers to tax? First, Mises stresses that "self-styled progressive" governments have gone too far

(*ibid.*). Beyond that, however, the answer depends on the circumstances. The maxim is that “the only purpose of the laws and the social apparatus of coercion and compulsion is to safeguard the smooth functioning of social cooperation” (HA: 722). That is, the purpose is to make it possible for individuals to take advantage of the higher physical productivity of the division of labor. However, the conditions faced by individuals who aim to meet this maxim may vary. A particularly urgent situation is the prospect for war and invasion. Huge amounts of resources – and, therefore, high taxes – may be required to conduct a defensive action. Indeed, under certain circumstances, the agents of government may require conscription (HA: 282).

Freedom

It may seem that Mises's definition of the pure market economy was merely a device intended to achieve his aims of evaluating intervention arguments. Obviously, one cannot evaluate a market intervention without assuming a government. Thus, one might argue, he assumed a government only for this purpose. In fact, Mises regarded government as necessary to achieve freedom.

[W]e may define freedom as that state of affairs in which the individual's discretion to choose is not constrained by governmental violence beyond...the frame of the market economy. He is free in the sense that the laws and the government do not force him to renounce his autonomy and self-determination to a greater extent than the inevitable praxeological law does. What he foregoes is only the animal freedom of living without any regard to the existence of other specimens of his species. What the social apparatus of compulsion and coercion achieves is that individuals whom malice, shortsightedness or mental inferiority prevent from realizing that by indulging in acts that are destroying society they are hurting themselves and all other human beings are compelled to avoid such acts (*ibid.*).⁴

Rothbard's Free Market

Rothbard's definition of the free market, as he presented it in his treatise *Man, Economy and State* (1962, in Rothbard 2004 – MES), must be inferred from his assumption that it contains no government. Indeed the assumption that it contains no government must also be inferred. Rothbard begins to reveal his definition when he writes of his plan to work “out the laws of the *unhampered market*.” He says that he aims to develop “an analysis of the workings of a society based purely on voluntary action, entirely unhampered by violence or threats of violence” (MES: 85). To achieve this, he contrasts “the laws of [what he calls] the *unhampered market*” with “the nature and results of hegemonic relations – of actions based on violence or the threat of violence” (*ibid.*). He writes that “[t]his work is largely the analysis of a market society unhampered by the use of violence or theft against any man's person or property” (MES: 176). He proceeds to substitute the term “invasive action” for “violence against any man's person or property.”

The Invasive Action

Rothbard's basic assumption about the type of interaction that is permitted in his “unhampered market economy” is that it cannot consist of an “invasive action.” He defines an invasive action as “as any action – violence, theft, or fraud – taking away another's

<p>Invasive action: “any action – violence, theft, or fraud – taking away another's personal freedom or property without his consent.”</p>

⁴Also see Part Two of my essay “[Mises on Freedom and the Praxeological Law](#)”

personal freedom or property without his consent” (MES: 176). He assumes that every existing private property right in his free market has evolved in such a way that no “invasive actions” were performed in the interaction that led to its emergence. Thus, the property that Rothbard assumes to exist in the unhampered market economy has not been acquired through violence, theft or fraud. It is convenient to express this assumption by saying that a person’s property has been earned or acquired in *an ethical manner*.

The “Enforcing Agency”

The curious reader must surely ask how such a situation is related to reality. In trying to answer this question, she comes to recognize what can most accurately be called “subterfuge” in Rothbard’s presentation. In the first reference to this question, Rothbard recognizes the difficulty of providing a rationale in reality for building an image of this “society based purely on voluntary action.” “One of the problems” he writes, “is the role of the enforcing agency...” The role of this agency is to combat the “invasion of the physical person and property” (MES: 183).

Rothbard assumes that all property in his image of the free market has been acquired in an ethical manner.

A careful reader of Mises’s treatise might now expect Rothbard to say that such an enforcement agency is what Mises called a government – the agency that controls the monopoly over coercion and compulsion. Such a reader would be wrong. Rothbard at this stage wants to convey the message that he aims to build his image of the free market *without specifying* the nature of such an agency. Thus he dismisses the issue by saying that

it makes no difference whether this condition [that property is acquired in an ethical manner] is established by every man’s deciding to refrain from invasive action against others or whether some agency is established to enforce the abandonment of such action by every individual (*ibid.*).⁵⁶

Here he mentions “some agency” but does not tell his reader that such an agency cannot be a government agency. Consistent with this, he writes later that he assumes that “there are no invasive actions in the society, either because no individuals commit them or because they are successfully combatted and prevented by *some sort* of enforcing agency” (*ibid.*: 184, italics added).

This would have been an ideal time for Rothbard to introduce the distinction between his image a free market and that of Mises. He could state Mises’s definition and then his own. Then he could tell why he does not follow Mises’s lead. Instead, he turns away from the topic. He ends his chapter on direct exchange by presenting a quotation from a British political philosopher who he says has most clearly described “the basis of the free, noninvasive, or ‘voluntaryist’ society...in a brief space” (*ibid.*).

The reader who is more curious about what Rothbard means by “some sort of enforcing agency,” as quoted above, is left to wonder. She might expect to find an answer in Rothbard’s last chapter on

⁵If it makes no difference, then the property titles that exist in the noninvasive society must have emerged in a society in which there were no invasive actions.

⁶If it makes no difference, then the property titles that exist in the noninvasive society must have emerged in a society in which there were no invasive actions.

“The Economics of Violent Intervention in the Market.” However, she soon discovers in this chapter also that “the analysis of intervention applies to whatever agency wields the violence, whether private or governmental” (*ibid.*: 898). In fact, however, Rothbard had no intention of allowing the enforcement agency to be governmental, at least if it requires financing.

Another possible source of information for what Rothbard is really assuming about the enforcement agency is his treatment of taxes and national defense. This treatment implies that the agency cannot be a government, although Rothbard does not say this. In the case of taxes, he only writes is that taxes are an example of a “binary intervention.” A binary intervention is “a *hegemonic* relation...between two people: the intervener and the subject” (*ibid.*: 877, italics added). He had earlier ruled out hegemonic relationships as part of his unhampered market (*ibid.*: 84-5). Thus, when he writes of “some sort of enforcing agency,” he cannot have in mind an agency that imposes taxes.⁷ To a reader who has the patience to sort through the various definitions for consistency, it becomes clear that Rothbard's free market cannot contain a monopoly over coercion and compulsion government with the authority to finance its operations by imposing taxes. Yet without taxes or some other means of financing, a government could not be sustained. But a critical reader must ask why Rothbard does not say this outright.

A reader who has less patience may come to realize what Rothbard is assuming when he discusses the government budget. There he classifies taxation as a government intervention. “Government intervention, he says, is not only...like price control; it may also be...taxation, and is therefore imbedded into the very nature of government and governmental activity” (*ibid.*: 908).

The tax-and-expenditure process, therefore, will inevitably distort the allocation of productive factors, the types of goods produced, and the pattern of incomes, from what they would be on the free market. The larger the level of taxing and spending, i.e., the bigger the government budget, the greater the distortion will tend to be (*ibid.*: 909).

It would be correct to say that a given set of government actions that is financed by taxation would yield a different allocation of factors of production than one that did not have to be financed at all. But that is not what Rothbard is saying in this quotation. He is comparing a set of government actions financed by taxation with his free market, in which by assumption no invasive actions occur.

National Defense

If observation of the modern world provides any information about what to fear from government-less market interaction, it tells one that internal defense may be less important than defense against foreign aggressors. Bombs, poisons, and sabotage of communication, transportation,

⁷Also see his discussion of inalienable personal rights.

Because a man's self-ownership over his will is inalienable, he cannot, on the unhampered market, be compelled to continue an arrangement whereby he submits his will to the orders of another, even though he might have agreed to this arrangement previously (MES: 164).

Such inalienable rights are incompatible with a society that contains a government that enforces the conditions of market interaction (the conditions of capitalism) and requires resources through taxation.

and energy networks are means of disabling and overwhelming a defense force that is not prepared for *total war* or that is not aligned with a nation that is prepared.⁸

Yet Rothbard does not allow national defense to be a rationale for a monopoly over coercion and compulsion. "The defense function," he writes "is particularly vital to the State's existence, for on its virtual monopoly of force depends its ability to extract taxes from its citizens" (MES: 955). But nowhere does he write that defense is vital to the existence of a free market or to the protection of wealth acquired by free market participants.

No Functioning Government in Rothbard's Free Market

I conclude from further exegesis that Rothbard's "free market" is characterized by the absence of a functioning government. However, Rothbard does tell the reader about this absence directly. He does not raise the specter of a conflict. Mises's image of the free market is not only in the tradition of Austrian economics but also in the tradition of economics generally. Rothbard's image is something new. I call it a distortion.

The cynical reader of this chapter may agree that Rothbard and Mises employed different images of the free market and even that he concealed this fact. But did Rothbard deliberately distort the image? How else can one explain the fact that, in his treatise Rothbard cites Mises on at least two occasions in relation to his use of the term "free or unhampered market" (*ibid.*: 585, 661).

2. ETHICS, ECONOMICS, REALISM AND PRAXEOLOGICAL LAW

Rothbard's image of the free market is based on his assumption about the absence of invasive actions while Mises's image is the starting point of process that ultimately enables him to build theorems that he can use to evaluate intervention arguments. Rothbard's has no government. Mises's contains a government that enforces the conditions of capitalism. As one might expect, this difference leads them to reach vastly different conclusions on the basis of their studies. In this part, I show this. Next I discuss the issue of whether the free market image used by the two authors is realistic. Both are unrealistic. However, whereas Rothbard denies this, Mises explains how an unrealistic image can contribute to the aim of evaluating intervention arguments under realistic conditions. Finally, I discuss differences between Rothbard's and Mises's use of the terms "praxeology" and "praxeological law."

Different Conclusions Based on Different Images of the Free Market

Rothbard's Final Statement about the Free Market

Rothbard's conclusions based on his free market are contained in his conclusion.

[Our] investigations have shown [that] the network of...free exchanges in society – known as the "free market" – creates a delicate and even awe-inspiring mechanism of harmony, adjustment, and precision in allocating productive resources, deciding upon prices, and gently but swiftly guiding the economic system toward the greatest possible satisfaction of the desires of all the consumers.

⁸For a definition of "total war," see Mises 1966: ch. 34.

On the other hand, coercion has diametrically opposite features. Directly, coercion benefits one party only at the expense of others.

Praxeology [i. e., economics] cannot, by itself, pass ethical judgment or make policy decisions. Praxeology, through its *Wertfrei* laws, informs us that the workings of the voluntary principle and of the free market lead inexorably to freedom, prosperity, harmony, efficiency, and order; while coercion and government intervention lead inexorably to hegemony, conflict, exploitation of man by man, inefficiency, poverty, and chaos. At this point, praxeology retires from the scene; and it is up to the citizen – the ethicist – to *choose his political course* according to the values that he holds dear (MES.: 1024-5, some italics added).

This is an amazing statement. On the one hand, he writes essentially that if one assumes the “voluntary principle” he can deduce value-free laws. Yet the voluntary principle means that there is no invasive action and, therefore, no need for government. This assumption would be reasonable if everyone adopted an ethical approach to interaction with others. If Rothbard assumed this, then his ethical principle would be built into his laws. They could not be value free. On the other hand, if he is merely considering the possible consequence of everyone adopting the principle, the resulting laws would be unrealistic. In any case, when he says that the study of market interaction shows a “mechanism of harmony,” etc.; he cannot be referring to the economics of Mises. He must be referring to his study of hypothetical interaction based on the assumption that individuals do not act invasively either because they have chosen voluntarily to do so or because, somehow, private defense agencies have prevented them from doing so.⁹

In this conclusion, Rothbard declares that one can say something meaningful about the real world (one can “choose his political course”) on the basis of theorems derived from employing his image of the free market. It is true that one can deduce a good and bad political course from Rothbard's assumptions about violence, which underpin his image of the noninvasive free market. However, these assumptions are internal to his image. They are derived from his assumption that individuals do not perform invasive actions. An image derived in this way is not an image of the real world.

Mises's Conclusion

Mises follows a different approach. On the basis of (1) the analysis of the free market and (2) the evaluation of intervention arguments, Mises uses his treatise to build up a body of knowledge about whether interventions can achieve the aims of their proponents. In other words, he builds theorems that he can use to evaluate intervention arguments. The question is whether policy makers will use this knowledge.

The body of economic knowledge is an essential element in the structure of human civilization; it is the foundation upon which modern industrialism and all the moral, intellectual, technological, and therapeutical achievements of the last centuries have been built. 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 annihilate economics; they will stamp out society and the human race (HA: 885).

⁹Rothbard's reasoning seems best expressed by a passage in a 1955 letter he wrote to Cornuelle describing the progress of the treatise. Rothbard writes that he intends to refute “the position of the typical laissez-faire right-winger (and everybody else) that our pure system *couldn't* exist. Without going into the question whether it *should* exist, I calmly and coolly prove that it *could*” (MES: lv).

This conclusion is a statement about the knowledge produced by the classical economists and the new subjective value theorists. That knowledge was used during the era of modern industrialism to spur entrepreneurs to advance science and technology and even to affect ideologies. However, the continuing use of this knowledge is now threatened. Whether the economic science – the teachings of economics – can continue to enable humankind to survive and flourish depends on whether they respond to this threat.

Mises's image of the free market is his image of pure capitalism. He readily states that the image is unrealistic. Nevertheless, it is indispensable to the economist. It is the starting point for building theorems to evaluate intervention arguments. It enables the economist to seamlessly introduce an intervention and to analyze its effects. It is also a reference for building images that he may need to match those of an intervention argument for which the proponent assumes that one or more of the conditions of capitalism is present only in part. While the image of pure capitalism is unrealistic, it nevertheless helps the economist evaluate intervention arguments in which the proponent assumes conditions that are realistic.

Rothbard and Realism

In Part One, I argued that Rothbard's image of the free market is unrealistic. This realism critique is a decisive argument against the entire edifice of Rothbardian policy recommendations. Recognizing this Rothbard's followers have been keen to defend the proposition that the image is, in fact, realistic and that an anarcho-capitalist society is possible. They begin with Rothbard's own defense in his *Power and Market* (1970).¹⁰ In that book, he built an image of a set of competing profit-maximizing private agencies that succeeds in establishing the conditions of capitalism without attaining the status of a monopoly over coercion and thus a government. In this subsection I discuss this image and its limitations.

The Image of Competing Defense Agencies That Establish the Conditions of Capitalism

Rothbard conceives of an image of peacefully competing defense agencies, none of which is strong enough to overcome the others. There is no precedent for conceiving such an image. The question arises of why Rothbard would conceive of their competition as peaceful.

Practically every new industry has started with a monopoly. Suppose that a defense agency establishes a monopoly. Then, it could only be overthrown by a stronger agency that would presumably have to demonstrate its superiority by employing violence against the existing monopolist. The challenger would presumably invent new means of employing violence or new instruments of violence. The interaction between the existing monopolist and the challenger would not be peaceful. The virtual impossibility of peaceful competition among defense agencies mitigates against any kind of "equilibrium" among the forces that would try to earn profit by specializing in the use of coercion and compulsion.

Once a monopoly is established, moreover, there is no reason to think that the monopolist would be content with money profit. Why would such a monopolist not use its monopoly over coercion and compulsion to confiscate the property and material consumer goods of the other beneficiaries of the

¹⁰I analyze this defense in great detail, along with another defense, in my essay "[Competing Defense Agencies in Anarchy](#)."

free market, to require tribute, and even to demand slave labor? If anyone objects, the agency is strong enough to decapitate her.

One might argue that it would not be in the monopolists' long run interest to take the wealth. But that ignores two facts. First, a developed capitalist economy contains vast amounts of privately owned material consumer goods and factors of production. Second, the leaders of the monopoly over coercion have limited life spans. These leaders could surely confiscate enough property to greatly increase their standard of living over their lifetimes.

Foreign Aggression

If observation of the modern world provides any information about what to fear from government-less market interaction, it tells one that internal defense may be less important than defense against foreign aggressors. Bombs, poisons, and sabotage of communication, transportation, and energy networks are means of disabling and overwhelming a defense force that is not prepared for *total war* or that is not aligned with a nation that is so prepared.¹¹

Rothbard contention that the free market is realistic is incorrect. And the efforts by Rothbard and followers to defend the proposition that it could exist due to competition among defense service agencies is also incorrect. The praxeology, or economics, of which he writes is a set of theorems about a situation that could never refer to reality.

Praxeological Law

One of the remarkable facts about Rothbard's writings is his invocation of the term "praxeology." He says that the praxeologist, as economist, produces value-free laws for the free market. That is her function. Once she is finished, it is up to the ethicist to determine whether to follow them.

Rothbard's use of the terms "praxeological" and "praxeological law," like his use of the term "free market" is a distortion. I begin with what Mises wrote. Prior to his conclusion about the knowledge produced by the economist, Mises writes that "man's freedom" is restricted by "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). What does he mean by the praxeological law? In fact, Mises does not define this term in the treatise. Judging from how he uses it, he is referring to the theorem that if individuals adopt the conditions of capitalism, they will be able to produce additional material consumer goods and that this is in their rightly understood interests (HA: 281-2, 762).¹²

Of one thing a reader can be certain. Mises does not use the term to refer to Rothbard's deduction that "coercion and government intervention lead inexorably to hegemony, conflict, exploitation of man by man, inefficiency, poverty, and chaos" (MES: 1025, as quoted above). Rothbard surely believed that he had identified praxeological laws. However, there is no praxeological law in Mises's writings to the effect that coercion which is employed by a government to support its

¹¹For a definition of "total war," see HA: ch. 34.

¹²He also uses this term, or similar terms, in his critique of the belief that increases in material goods can be achieved by expanding the money supply. He writes that the "praxeological law" limits the amounts of material goods that can be produced even if the conditions of capitalism prevail. I explain his use of this term in my essay "[Mises on Freedom and the Praxeological Law](#)."

market-facilitating activities is necessarily harmful. This “law” is a product of Rothbard’s unique imaginary construction of the free market.¹³

3. CONCLUSION

The difference between Mises and Rothbard regarding their definitions of the free market is evident only to a reader who has the patience to explore Rothbard’s various definitions in his treatise. Such a patient reader is rewarded with the discovery that, in spite of Rothbard’s outward approval of Mises’s writings, he used a very different image of the free market and promoted a very different “economics” from Mises. Indeed, I would argue that the two writers are in direct opposition.

Rothbard’s conception of capitalism is unrealistic and, therefore, irrelevant to the modern world. In addition, Rothbard seems to have misunderstood one of the most important concepts that Mises invented, namely, praxeology. Further examination of Rothbard’s writing reveals that he deliberately avoided publishing his fundamental difference with Mises until after Mises had retired from public life.¹⁴ In addition, Rothbard seems to have misunderstood one of the most important concepts that Mises invented, namely, praxeology. Finally, Rothbard’s conception of capitalism is unrealistic and, therefore, irrelevant to the modern world.

The tragedy is that many readers of Rothbard’s numerous writings regard him not only as a master economist who deserves study and a following. They also regard him as a legitimate Austrian economist and interpreter of Mises.

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¹³Rothbard’s use of this term in his conclusion raises a further question of whether he was able to comprehend what Mises meant by praxeology and whether, in saying that economics is a branch of praxeology, Rothbard was referring to Mises or to his own concoction. I have addressed this issue partly in my essay “[Is Praxeology the Method of Economics.](#)”

¹⁴Much of the material in his 1970 *Power and Market* was apparently written in the 1950s. It was part of a larger draft treatise submitted by Rothbard to a number of publishers. The draft was only accepted, however, after he agreed to omit the material (MES: lxvii-lxix, lxx). Thus, Rothbard omitted it from the 1962 *Man, Economy and State* in order to achieve acceptance for publication.

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