

Rothbard's Critique of Mises's Value Freedom

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Murray Rothbard claimed to be a follower of Mises and to base his views largely on the praxeology and economics that Mises taught. However, on the subject of value freedom, as in other subjects, Rothbard's works show that he was instead a strong, albeit initially self-restrained, critic. The aim of this essay is to defend Mises against Rothbard's criticism of Mises's proposition that his economics is value free. The essay is part of an effort to help support my claim that the study of Rothbard by those aspiring to be Austrian economists will not help them achieve their aims. On the contrary, it would lead them away from the scientific economics produced by Mises and his predecessors.

Part One of this essay describes Mises's position on value freedom. Part Two describes Rothbard's criticism of what he alleged was Mises's ethical relativism. Part Three describes his criticism that Mises, in fact, incorporated value judgments in what Rothbard believed was his defense of liberalism and attack on statism. In both cases, it shows that his criticism was directed at a set of positions that Mises did not have. Part Four ends with a conclusion.

1. HOW MISES ACHIEVED VALUE FREEDOM

During the 1920s, Mises wrote three books that were intended to discuss the popular ideologies about government that prevailed at the time. These books were *Socialism, An Economic and Sociological Analysis* (1922), *Liberalism: The Classical Tradition* (1927) and *A Critique of Interventionism* (1929). In 1940, in his 50s as a refugee from Austria, he reflected on these writings. He writes that he

introduced a *new perspective* in the handling of these problems, the only one that made possible a *scientific* discussion of political questions. I made inquiry into the usefulness of proposed measures, that is, whether the objective that the use of these measures was intended to achieve could actually be obtained through the means recommended and employed (Mises 1940: 98, italics added).

He goes on to say:

If a socialist system *leads to chaos* because it is a system wherein economic calculation is impossible, and if interventionism cannot attain the objectives desired by its proponents, then [supporting] these illogical systems...[is] irrelevant (*ibid.*: 99, italics added).

Mises streamlined this argument in his treatise *Human Action* (1966 – HA). He writes:

An economist investigates whether a measure *a* can bring about the result *p* for the attainment of which it is recommended, and finds that *a* does not result in *p* but in *g*, an effect which even the supporters of the measure *a* consider undesirable. If this economist states the outcome of his investigation by saying that *a* is a bad measure, he does not pronounce a judgment of value. He merely says that from the point of view of those aiming at the goal *p*, the measure *a* is inappropriate. In this sense the free-trade economists attacked protection. They demonstrated that protection does not, as its champions believe, increase but, on the contrary, decreases the total amount of products, and is therefore bad from the point of view of those who prefer an *ampler supply of products* to a smaller. It is in this sense that economists criticize policies from the point of view of the ends aimed at. If an economist calls minimum wage rates a bad policy, what he means is that its effects are contrary to the purpose of those who recommend their application (HA: 883, italics added).

Mises thereby showed how economics, a science of the means, can be value free. The economist can achieve value freedom by evaluating arguments that a proposed policy can achieve the ends that its proponent maintains that it can achieve.

How to achieve value freedom in economics: evaluate intervention arguments according to the criterion of whether the material aims of the argument's proponent can be achieved.

The Special Knowledge of the Economist

The achievement of value freedom depends crucially on the recognition of the new and special knowledge of the [division of labor law](#) and [law of consumer sovereignty](#). The economist can achieve value freedom in his work by using this knowledge for the sole purpose of determining whether the material aims of the proponent of an intervention argument can be achieved by the proposal she recommends. More specifically, if the evaluation of a proposed government intervention requires that the evaluator take account of whether the policy motivates entrepreneurs to increase the amounts of material goods, the economist can bring to bear his special knowledge.

Individuals may favor intervention for reasons that are unrelated to the amounts of material consumer goods. The ascetic may be willing to forego such goods. Individuals may also have special interests or be in a position to earn money income by facilitating the attainment of special interest benefits. I consider each in turn.

People Who Do Not Care about Material Consumer Goods

The economist's special knowledge does not enable him to evaluate all intervention arguments. The ascetic and the person who is determined to commit suicide may not care about material goods. If the proponent of an intervention argument is concerned only with ascetic goals and totally disregards wants for material goods, the higher physical productivity of the division of labor is irrelevant. The economist has nothing to offer. The scope of economics as a science of the means is limited to arguments for which the higher physical productivity of the division of labor is relevant to the evaluation.¹

People with Special Interests

The term "special interest" is derived from the division of labor law. The classical economists used the concept of the "harmony of rightly understood interests." To them, such harmony referred to the interest that practically all people would have in establishing capitalism if it was not initially present. Practically all who knew what the classical economists knew would expect to benefit. Accordingly, their interests would be in harmony with each other.² The general interest would be served by capitalism. Nevertheless, practically everyone is potentially in a position to gain from an intervention. Economists represent this by saying that a person may have a special interest. Consider a sugar farmer. If a law is passed that restricts competition from other sugar farmers, she will be able to raise her price and earn higher income. Although the restriction may reduce her stream of benefits due to capitalism throughout the future, her gain from the intervention may exceed her loss. It may be more than sufficient to compensate her.³ She has a special interest in supporting a proposal that imposes the restriction or that retains a restriction that is already present. In this case, the economist has the task of enumerating her losses due to the restriction. The economist, as such, cannot assert

¹HA: 178-80.

²HA: 673-4.

³If her gain from the restrictions is in money income, she can save some of the money and enjoy more material consumer goods in both the near and more distant future.

that the specialist should forego her special interest benefits. However, he can help her identify the anticipated costs of the intervention to her.

The special interests of some individuals create opportunities for others to earn income by making arguments that appeal to public opinion. Lobbyists and even modern professional economists emerge to supply the demand by political parties and pressure groups for intervention arguments.⁴

Some writers have referred to the harmonious interests that people have in living in a capitalist system as “long run” interests and their special interests as “short run” interests. This is not good practice in my opinion.⁵

Choice of Subject Matter

It might be suggested that the economist's choice to study the production of material consumer goods under capitalism vitiates the value freedom of economics. A Misesian economist is biased, the suggestion goes, because he studies capitalism instead of, say, socialism or some other system.

Such a criticism disregards the special knowledge that was discovered and passed on by the earlier economists. The act of applying the special knowledge to the evaluation of intervention arguments is useful to others regardless of the values of the economist. Compare the economist with a bacteriologist who studies viruses that engender harm and pain to humans. The bacteriologist's aim may be to cure people who develop such conditions. If she discovers a cure, the knowledge becomes part of the knowledge base for treating the disease. The values of the scientists that led to the cure will be forgotten.⁶

Whatever the source, if the cure works and people are free to record and safekeep contributions to medical knowledge, it will be included in the body of knowledge that is regarded as useful in treating the disease. The primary goal of the discoverer of a treatment may have been to earn pay from a pharmaceutical employer, to satisfy a curiosity, to achieve some other goal that has nothing to do with the disease, or even to produce a biological weapon for use in an attack on a capitalist nation. So long as the results are made available to someone who knows how to use them to treat the disease, the knowledge will be retained in a free society because it is useful.

⁴HA: 273, 318, 869-70, 874-5.

⁵This use can be misleading, since the long run does not refer to time. By long run interest, the economist has in mind the consumer utility that individuals expect from establishing and maintaining the conditions of capitalism. To an individual in market interaction, the long run interest means the present discounted stream of expected consumer utility benefits that would result if these conditions prevail. This stream of expected consumer utility may be lower than the special interest stream. Yet Mises uses this terminology. His best discussion may be his treatment of the difficulties of repealing a restriction on production HA: 749-50. See also his reference to the “dilemma between a man's or a group's interests in the short run and those in the long run” (Mises: *The Ultimate Foundation of Economic Science: An Essay on Method* [UF]: 99).

⁶Mises illustrates this point vividly with the following statement:

A treatise on bacteriology does not lose its objectivity if the author, accepting the human viewpoint, considers the preservation of human life as an ultimate end and, applying this standard, labels effective methods of fighting germs good and fruitless methods bad. A germ writing such a book would reverse these judgments, but the material content of its book would not differ from that of the human bacteriologist (HA: 54.)

To sum up, Mises showed how value freedom could be achieved in economics by addressing himself to the arguments made by proponents of an intervention. Every such argument, he assumed, contains the ends that a proponent wants to achieve. The economist can do value-free, scientific economics so long as he correctly pursues the ultimate goal of evaluating a proposed intervention from the standpoint of a proponent who attaches utility to the amounts of material consumer goods that can be enjoyed in the absence of the intervention.

The Pragmatic Nature of Science

The classical economists, the individualist economists and Mises showed that economics provides knowledge that individuals can benefit from using. If they succeed in expanding the sphere of capitalism, they can cause more material consumer goods to be produced for the population of individuals as consumers. The same criterion that people use to justify calling the natural sciences “science” – namely, that they help individuals achieve their ends – can be applied to economics.⁷

Individuals can benefit from new knowledge even though the producer does not directly intend to benefit them. For example, individuals acting in the entrepreneur role may employ a machine, tool or gadget from an impulsive inventor in order to earn money profit. The entrepreneur role is always on the lookout for new knowledge. Individuals benefit from his intentional alertness. But they also benefit from the new knowledge produced by the inventor, even though she had no intention of benefitting them. Individuals also benefit from the new knowledge produced by inventors who seek knowledge exclusively to reduce their own uncertainty or ignorance or to gain status in a group that professes to do so. Whatever the motivation to produce the new knowledge, the consequence from the pragmatic standpoint may be the same (UF: 35).

To sum up, Mises showed how value freedom could be achieved in economics by addressing himself to the arguments made by proponents of an intervention. Every such argument, he assumed, contains the ends that a proponent wants to achieve. The economist can do value-free, scientific economics so long as he confines his work to evaluating a proposed intervention from the standpoint

⁷To my knowledge, Mises was the first to express this idea. He did this in his 1933 book *Epistemological Problems of Economics* (EP). In *HA*, he called this basis for comparison “the pragmatic point of view” (HA: 24-31). His final exposition of this view, in UF, is probably best. He writes of the activist, or activist, point of view.”

All manifestations of life and behavior with regard to which man differs from all other beings and things known to him are instances of action and can be dealt with only from what we may call an *activistic point of view*. The study of man, as far as it is not biology, begins and ends with the study of human action (UF: 34, italics added).

Seen from an activist point of view, knowledge is a tool of action. Its function is to advise man how to proceed in his endeavors to remove uneasiness. At the higher stages of man's evolution from the conditions of the Stone Age to those of the age of modern capitalism, uneasiness is also felt by the mere prevalence of ignorance concerning the nature and the meaning of all things, no matter whether knowledge about these fundamental things would be of practical use for any technological planning...Seen from this angle, the pure search for knowledge, not motivated by the desire to improve the external conditions of life, is also action, i.e., an effort to attain a more desirable state of affairs (UF: 35).

of a proponent who attaches utility to the amounts of material consumer goods that can be enjoyed in the absence of the intervention.⁸

2. CRITIQUE OF MISES'S ALLEGED ETHICAL RELATIVISM

Rothbard's concern with social philosophy and ethics undoubtedly predates his study of Mises's writings. This part investigates how his social philosophy influenced his interpretation of Mises. Aside from errant references to Mises's works, the first clear manifestation of this influence is a report that he wrote in 1960 (Rothbard: 1960b – ROER).⁹ He wrote this as he was trying to find a publisher for MES. The report was apparently a discussion of twelve essays delivered at a conference, only one of which was written by Mises. His treatment of Mises's essay takes up about five pages of his fifteen-page report. In his assessment, he made three assertions about Mises that cannot be supported. These are (1) that Mises subscribed to a position that Rothbard called "ethical relativism," (2) that he was an advocate of *laissez faire* and (3) that he was an anti-statist. This part analyzes each of these assertions and shows that they are false.

Epistemological Relativism vs. Ethical Relativism

Mises's article was entitled "Epistemological Relativism in the Sciences of Human Action" (1961 – ER). The article is mainly about the history of the subject of history. More specifically, it is mostly about the study of history by the members of the German historical school in the 19th and early 20th centuries. In the German historical school's study of history, epistemological relativism had been the dominant ideology. He calls these historians "epistemological relativists." He is referring to them when he makes the statement in his penultimate paragraph that epistemological relativism is "the essential doctrine of historicism" (ER: 50). It is at this late stage in the essay that he introduces the concept of *ethical* relativism. He writes that the doctrine of epistemological relativism must be

⁸A perplexing trend in what Israel Kirzner called "neo-Austrian economics" is the use of the theorems of economics "to study markets as processes" (Kirzner 1987: 149). Another common phrase to express this idea is "to study how capitalism works." Neo-Austrians who use these phrases do not regard the study of the market process as a means to the end of evaluating intervention arguments. They are unconcerned with – and for the most part are not even aware of – Mises's science of the means. Members of this group do not study economics, as Mises conceived it. They study the events of history. The more competent and dedicated of these show how economic theorems are required in order to adequately represent market interaction in the recent and more distant past. Sadly, many of them are empiricists in their speculations about the future.

⁹According to Hülsmann (Hülsmann 2007: 998), Rothbard delivered his report at a symposium. Unpublished at the time, it has since been published by the Mises Institute in a book entitled *Murray N. Rothbard Vs. The Philosophers: Unpublished Writings on Hayek, Mises, Strauss, and Polanyi* (2009). Roberta A. Modugno, the editor of the book, writes that this report constitutes Rothbard's first deviation from Mises's position (Rothbard 2009: 5). In her discussion, she draws a distinct line between Mises and Rothbard on natural law, although she does not appreciate the distinction Mises makes between history and economics and, therefore, the rationale behind Mises's assertion that economics can be value free.

distinguished from other doctrines including those of authors who employ ethical relativism. Among these ethical relativists are writers

of the Historical school of economics and of institutionalism [who] judge the historical past from the point of view of what they consider as indisputable, never-changing moral precepts, e.g., equality of wealth and incomes...They condemn the system of private enterprise as immoral and advocate socialism on account of [socialism's] presumed higher moral worth...

As against all this emotional talk there is need to point out again:...Economics neither advocates capitalism nor rejects socialism. It merely tries to show what the necessary effects of each of these two systems are. He who disagrees with the teachings of economics ought to try to refute them by discursive reasoning, not by abuse, insinuations, and the appeal to arbitrary, allegedly ethical standards (ER: 50-1).

His discussion of these judgmental writers ends the article.

The reader will recall that Mises defined history as a field of study as one of the two branches of the science of human action. The other is praxeology, which includes the field of study called economics. His statements about ethical relativism must be interpreted with this in mind. Since his article refers almost entirely to historians, one must presume that it is about those who promote the view that an historian one could use any ideology, or ethical predisposition, to interpret historical events. In other words, these promoters argue that the interpretation of historical events can be spun from a variety of different views about what is right and wrong.

If his article was specifically about economics as a field of study, he would write that economists study proposed systems of cooperation – such as capitalism and socialism – as means of incentivizing the production and consumption of material consumer goods. An example of such economics is his book on Socialism (1922). Ethical relativism has played no role in scientific economics, as defined in Part One of Chapter One. However, it played an important role in the development of the field of history.

Unfortunately, Mises does not make the distinction between the study of history and the study of economics in this article. He says only that “the main practical goal of praxeology and its hitherto best developed part, economics, is to distinguish between means that are fit to attain the ends sought and those that are not” (ER: 46).¹⁰

Rothbard had little to say about historians and historicism. He was concerned almost totally with the relationship that he perceived between what Mises wrote and his own anti-statism. He introduced his critique with the statement that Mises “has strayed off his great stomping ground, praxeology, on to a field, ethics, where he is, I believe, tragically wrong...” (ROER: 109). Calling Mises an ethical relativist, he proceeded to compare the ethics that he mistakenly attributed to Mises with his natural law ethics.

To Mises...[u]ltimate ends, values, ethics, are simply subjective, personal, and purely arbitrary...[M]an, by the use of his mind, cannot discover a true, “scientific” ethics by insight into what is best for man’s nature...[However, if ends, etc.] are arbitrary, Mises never explains where they come from: how any individual arrives at them. I can’t see how he could arrive at any answer except the subjective, relative emotions of each individual (ROER: 110).

To elucidate the concept of arbitrary ethics, he gives the example of torture. Rothbard writes that even if the torturer and the victim prefer that the torture occur,

¹⁰Of course, he had already made it in HA and also in his 1944 article.

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I think it can be demonstrated that such torture and love of torture is contrary to the nature of man and to what is required by that nature for man's true happiness; I think it can be demonstrated that such perversions of man's nature are profoundly irrational (ROER: 109).

Rothbard implies by this example that he defines ethical relativism as an unwillingness to take a position on whether a particular action (in this case, torture) is right or wrong. His natural law ethics, by contrast, is "absolutist." By being unwilling to take only a relativist position, Rothbard claims, a person like Mises shows that he is an ethical relativist.

He regards such ethical relativism as a "great defect" (ROER: 110). Mises falters, he says, in his effort "to refute the ethical contentions of the statists."

He goes on later in his discussion to say that a

relativist approach to ethics is not nearly enough to establish a full case for liberty. It must be supplemented by an absolutist ethic – an ethic of liberty, as well as of other values needed for the health and development of the individual – grounded on natural law, i.e., discovery of the laws of man's nature. Failure to recognize this is the greatest flaw in Mises's philosophical worldview (ROER: 112, italics added).

These are amazing statements mainly because they are completely off target. Rothbard ignored Mises's remarks about the ethical relativism of the historicists and the "absolutism," or absolute validity, claimed by classical economists (ER: 38, 39, 43) and the egalitarians, as quoted in the above paragraph (ER: 50-1). The absolute validity espoused by the classical economists stems from their discovery of what I have called the division of labor law (ER: 49). Rothbard ignored this. He somehow interpreted Mises's discussion of subjective valuation to mean that Mises was an ethical relativist. Then he pitted his own absolute ethics against what he conceived as Mises's ethical relativism.

Rothbard also made two other assertions. He asserted (1) that Mises's relativism faltered "when he tries to refute ethical contentions of the statists" (ROER: 110) and (2) that Mises contended that a man who "chooses liberty" (a libertarian) does so arbitrarily, just as a man who chooses egalitarianism. Yet Mises wrote nothing in the essay about statism or liberty (ROER: 111). Obviously, Rothbard was promoting his own agenda. The most charitable thing one can say is that he did not read the essay carefully enough to be able to render an informed opinion on it. In any case, it is clear that he misrepresented Mises. The only reason to discuss them is to compare his early criticism with the later criticism discussed in Part Three.

Mises an Ethical Relativist?

Mises did not claim to be an ethical relativist. Rothbard was confused. More than that. Mises criticized historians who judge past actions "from the point of view of what they consider as indisputable, never-changing moral precepts" (ER:50, as quoted above). Although he gave the example of egalitarian historicists who subscribed to a principle of equality of wealth and incomes, his logic would seem to apply with equal force to the natural law philosophy that Rothbard promoted. Like the natural rights precepts of the egalitarians, Rothbard also failed to account for the absolutism that stems from the economist's knowledge of the division of labor law (HA: 145).

Mises an Anti-statist?

Mises does not discuss statism in his essay. Yet Rothbard asserts that Mises used economic theory to refute “statism.” He claims that Mises showed that if statist policy is rescinded or repealed, everyone would benefit. “Mises must admit,” he writes, “that no one can decide any [statist] policy unless he [makes] an ethical judgment” (ROER: 111). Rothbard concludes that Mises’s evaluation of the statist policy is based on his assumption that everyone would benefit. He considers this an “illegitimate assumption.” How can Mises “know what motivates the statist,” he asks (*ibid.*). After several paragraphs of discussion, he sums up his criticism. He writes that

it is illegitimate for Mises to assume that, knowing all the consequences shown by economics, everyone will consider himself worse off from the statist measure. When Mises says that repeal of such measures “would benefit the rightly understood or long-run interests of all the people,” and are championed by vested “short-run interests,” suppose...the time preferences of the latter are high; or suppose, even aside from the time preference, that the amount X can mulct from everyone by some interventionist measure is greater than the amount he will lose as a consumer (ROER: 112).

Rothbard misrepresents Mises when he writes that Mises assumes that “everyone will consider himself worse off from the statist measure.” First, the two writers define statism differently (“[Mises on Freedom and the Praxeological Law](#)”). For Rothbard, statism is the belief that every government action is good. Anti-statism, according to this philosophy consists of showing that government action is necessarily bad because it entails the use of coercion, which harms at least one individual. For Mises, statism is the belief that the government should do more than establish and maintain the conditions of capitalism. To determine whether a particular statist policy will achieve the objectives of its statist proponent, the economist builds theorems about its effects. So long as the proponent regards the amounts of material consumer goods as one of the criteria for judging the policy, the economist’s analysis will be relevant.

Thus, Rothbard mischaracterizes Mises’s position. Mises is not an anti-statist in Rothbard’s terms. Indeed he does not even advocate a particular economic policy. Instead, he evaluates arguments favoring a policy on the basis of whether it can achieve the ends that the proponent claims it can achieve (See Part One). There is no defect in Mises’s reasoning.¹¹

¹¹Rothbard expands on his theme that an ethical, or value judgment is needed in order to apply economics to public policy in his 1960a essay “[The Mantle of Science](#),” in which he claims to base his conclusions on the praxeology and economics of Mises. He writes:

The current fashion [in economics and political science] is to preserve a façade of *Wertfreiheit*, while casually adopting value judgments, not as the scientist’s own decision, but as the consensus of the values of others. Instead of choosing his own ends and valuing accordingly, the scientist supposedly maintains his neutrality by adopting the values of the bulk of society (Rothbard 1960a: 13).

And

[T]he scientist cannot...escape making value judgments of his own...An economist who advises the public on the most efficient method of obtaining economic equality is endorsing the end of economic equality. The economist who advises the Federal Reserve System how most expeditiously to manage the economy is thereby endorsing the existence of the system and its aim of stabilization (*ibid.*: 14).

In this passage, Rothbard’s error of interpretation becomes evident. Rothbard is correct to say that to

Mises a Champion of Liberty?

In his report, Rothbard praises Mises as a “great champion” of economic liberty. But he writes that his “philosophical worldview” leads him to adopt a utilitarian approach to ethics that is insufficient to establish a “full case for liberty” (ROER: 112, as quoted above). On the one hand, he wants to tell the reader that because he himself is also a champion of liberty, he is similar to Mises. On the other, he wants to tell her that unlike Mises, his own defense of liberty is based on a natural law social philosophy. In Rothbard's view, the natural law philosophy is sufficient to establish a full case.

Rothbard errs in asserting that Mises was trying to establish “a full case for liberty.”¹² Instead, Mises was concerned with challenging a specified class of worldviews. In HA, Mises tells exactly what kind of worldview that scientific economists, as such, are prepared to deal with.

where earthly things are involved, the natural affinity of all men and the identity of the biological conditions for the preservation of their lives come into play. The higher productivity of cooperation under division of labor makes society the foremost means of every individual for the attainment of his own ends whatever they may be. The maintenance and further *intensification of social cooperation* become a concern of everybody. Every world view and every ideology which is not entirely and unconditionally committed to the practice of asceticism and to a life in anchoritic reclusion must pay heed to the fact that society is the great means for the attainment of earthly ends. But then a common ground is won to clear the way for an agreement concerning minor social problems and the details of society's organization. However various ideologies may conflict with one another, they harmonize in one point, in the acknowledgment of life in society (HA: 179-80, italics added).

When Mises writes that everyone is concerned with the intensification of social cooperation, he is referring to the division of labor law (Appendix One of Chapter Four). He means that everyone, if they knew this law, would recognize the material cost and benefit to themselves of establishing and maintaining the conditions of capitalism, as described in Part One of Chapter One. He is writing in this passage that a person who cares about the material consumer goods that can be produced by means of the division of labor must pay heed to economics and the conditions required for capitalism. No ethics is needed to evaluate intervention arguments made by such a person so long as the arguments are concerned with the amounts of material consumer goods that are produced and consumed.

Mises does not claim to be a champion of liberty. He claims to be an economic scientist who can show that social systems with greater freedom, as he defines it,¹³ are more likely to be favored by proponents who attach importance to the amounts of material consumer goods produced and consumed than social systems with less freedom.

decide a policy requires a criterion and, therefore, a value judgment. But Mises's science of the means is not concerned with deciding policy. Its target is the arguments made by policy proponents. Rothbard's critique is misdirected. See also his 1984 article, where he reports on Mises being remembered for his advocacy of *laissez faire*, a myth that Rothbard himself largely created (Rothbard 1984: 286).

¹²Rothbard also errs in labeling Mises a utilitarian. I discuss this error in Part Three of this essay.

¹³See Part Two of Chapter Sixteen for Mises's definition of freedom.

Disregarding Mises's Science of the Means

The main defect in Rothbard's case is his failure to take account of Mises's science of the means. At one point in his comment, he seems to recognize that Mises defined economics as a science of the means. He quotes Mises as writing that

[e]conomics pointed out that many cherished (interventionist) policies ... bring about ... effects which – from the point of view of those who advocated and applied them – were even more unsatisfactory than the conditions which they were designed to alter... (ER: 38; ROER: 111).

But he says nothing more in his comment about this statement, indicating that he does not grasp its significance.

The impact of Rothbard's misrepresentation can be seen in its uncritical acceptance by followers and critics alike. A good example is Sean Parr's essay on "Mises's Defense of Liberty" (2010: 3-4).

3. THE 1976 ARTICLE

Rothbard's 1960 critique of Mises on the subjects of ethics, statism and liberty was not publicized until after Mises had retired from public life. At that point in time, Rothbard seems to have felt ready to initiate a misguided effort to replace Mises as the prime critic of market intervention. At a conference among aspiring Austrian economists, he produced an essay entitled "[Praxeology, Value Judgments, and Public Policy](#)" (1976b – PVJ). In the essay, he repeated a conclusion from MES that on the basis of economic theory, one can produce value-free theorems about the free market and coercion but not value-free judgments about economic policy. He followed this by first criticizing professional economists and then Mises on the grounds that they based their policy judgments on either unstated or concealed ethical presuppositions. He blamed Mises's error on his failure to recognize that his judgments were tainted by his social philosophy of utilitarianism. He then recommended replacing that social philosophy with his own. In this part, I assess Rothbard's argument, criticism and suggestion. I first document his interpretation of his intention. Then I turn to three specific criticisms he makes of Mises.

The "Conclusions" of Economics

Rothbard begins the article where he left off in MES and PM with his assertion that economic theory is value free "because it deals with the formal fact that men act rather than with the content of such actions." Because it "provides laws about reality" it "has the same methodological status as the other sciences and the same relation to ethics." "[L]ike the other sciences, [it] is the value-free handmaiden of values and ethics" (PVJ: 89-01).

After making these general statements, he eventually gets around to describing what "praxeological economics" can "say...about social utility" (PVJ: 98). Following some discussion, he concludes that the economist can "demonstrate that *laissez-faire* will lead to harmony, prosperity, and abundance, while government *intervention* leads to conflict and impoverishment" (PVJ: 105, italics added). This is the same conclusion he reached in MES, based on the assumption that

[individuals do not act invasively](#).¹⁴ Because the “demonstrated preference” criterion is nothing more than his assumptions about the preferences individuals have toward the expected outcomes of their choices, the conclusion is irrelevant. It surely does not reflect a proposition in the history of Austrian economics.

Critique of Mises

To replace Mises as the leading champion of liberty and critic of statism, Rothbard knew that he had to disparage Mises's arguments to the contrary in order to promote his own social philosophy. In this subsection, I assess several of his efforts.

Mises Could Not Know Individuals' Value Scales

Rothbard's first critique of Mises's proposition is that judgments about economic policy cannot be value free because the economist cannot be certain about the value scales of individuals who are affected by the policy. He begins the critique by referring to the following Mises quote:

An economist investigates whether a measure *a* can bring about the result *p* for the attainment of which it is recommended, and finds that *a* does not result in *p* but in *g*, an effect which even the supporters of the measure *a* consider undesirable. If this economist states the outcome of his investigation by saying that *a* is a bad measure, he does not pronounce a judgment of value. He merely says that from the point of view of those aiming at the goal *p*, the measure *a* is inappropriate (HA: 883; PVJ: 90).

He asserts that this passage is part of an effort by Mises to express his “rigorous and uncompromising [advocacy] of value-free economics” and [his opposition to] “any sort of objective ethics” (PVJ: 101). He is correct, of course. Yet, he goes on to criticize Mises by asking a rhetorical question about the preferences of the advocates of the measure *a*: “How could he know what their value scales are now or what they will be when the consequences of the measure appear?” (*ibid.*)

By asking this question, he implies that Mises erred in neglecting to realize that he cannot know the true value scales of a policy proponent. In other words, Rothbard infers that Mises assumed that he knew the proponents' value scales. That Rothbard was wrong is evident from the remainder of the paragraph, which he conveniently omitted:

In this sense [i.e., from the point of view of those aiming at the goal *p*] the free-trade economists attacked protection. They demonstrated that protection does not, *as its champions believe*, increase but, on the contrary, decreases the total amount of products, and is therefore bad from the point of view of those who prefer an ampler supply of products to a smaller. It is in this sense that economists criticize policies from the point of view of the ends aimed at. If an economist calls minimum wage rates a bad policy, what he means is that its effects are contrary to the purpose of those who recommend their application (HA: 883, italics added).

¹⁴An important difference is that he does not repeat the claim of MES that his image of the free market is the same as that of previous economists. In this case, he bases his claim on what he had called the welfare criterion of “demonstrated preference.” Thus he makes the contradictory claim that, on the one hand, economic theory without ethics can demonstrate that voluntary action is beneficial while coercive action is harmful with the claim, on the other hand, that his welfare criterion of demonstrated preference is required to support this proposition. I showed in my essay on the noninvasive society that the former claim is false. In my essay [Rothbard on Ethics and Welfare Economics](#), I showed that his proposition about demonstrated preference is confused.

It is clear from this excerpt that Mises assumed that the “champions” of protectionism had the aim of increasing “the total amount of products.” He took the same approach in the case of arguments favoring minimum wage rates. He writes that if “an economist calls minimum wage rates a bad policy, what he means is that its effects are contrary to the purpose of those who recommend their application” (*ibid.*). By taking the quote out of context, Rothbard distorted Mises's argument and diverted a reader's attention away from Mises's economics as a science of the means.

Mises Disregarded Long Run Interests and Time Preference

Rothbard makes a curious statement about the harmony of rightly understood interests in his discussion of Mises's ethics. He writes that

one of Mises's basic arguments for the free market is that, on the market, there is a “harmony of the rightly understood interests of all members of the market society.” It is clear from his discussion that he could not merely mean “interests” after learning the praxeological consequences of market activity or of government intervention. He also, and in particular, meant people's long-run interests. As he stated, “For ‘rightly understood’ interests we may as well say interests ‘in the long run.’” But what about the high-time-preference folk, who prefer to consult their short-run interests? How can the long run be called “better” than the short run? Why is “right understanding” necessarily the long run? (PVJ: 104).

This statement shows that he did not appreciate Mises's value-free economic science. It is obvious from what I have shown about how Mises employed the theorem of the harmony of the rightly understood interests that his reference to the long run did not refer to time. It referred to the presumed satisfaction of consumer wants in the final state of rest. Without referring to a final state of rest, one could not build economic theory. To criticize Mises for using the term “long run” to mean “final state of rest” is to disregard the procedure for building economic theorems. Being preoccupied with promoting his ethics, Rothbard neglected this fact.¹⁵

¹⁵Mises's use of the term “long run” in the statement Rothbard quotes may have been an indirect endorsement of Henry Hazlitt's *Economics in One Lesson* (1946), which used this phrase repeatedly. He used the term in a similar way in his essay “The Clash of Class Interests” (Mises 1978: 3). In his preface to this to this book, Rothbard repeats his error (*ibid.*: 2).

It also must be pointed out that Rothbard apparently did not comprehend Mises's use of the only method of studying economic change, namely the static method. Stated differently, he did not comprehend Mises's use of the phrase “state of rest,” as described in my essay “[The Imaginary Constructions of Economics](#).” Rothbard's few references to states of rests do not reflect how the economist must use them. For example, he writes in a footnote that “a market tends to ‘clear itself’ quickly by establishing its equilibrium price, after which a certain number of exchanges take place, leading toward what has been termed the *plain state of rest...*” (MES: 143n). Mises used the term “plain state of rest” to refer to the market prices at which goods exchange in everyday life and that are observable (HA: 244-6). There can be no tendency toward it. A convenience store owner sells a snack to a customer. At the point of sale, both parties are content. Mises calls this situation a plain state of rest. This state is unrelated to the final state of rest prices. Such prices are those

Every Supporter Agrees the Policy is Good

According to Rothbard, Mises claimed that “if a given policy will lead to consequences, as explained by praxeology, that *every one* of the supporters of the policy will agree is bad, then the value-free economist is justified in calling the policy a ‘bad’ one” (PVJ: 101). Rothbard regarded this as “Mises’s attempt to advocate *laissez-faire* while remaining value-free.” After each of the advocates learn the true consequences of the policy they supports, she will abandon her position. He says that this attempt failed (PVJ: 104).

In fact, Mises wrote nothing about persuading every one of its advocates. A close examination of the quotations shows that Mises says nothing about “every supporter” of an argument. He simply says that if a proponent wanted to achieve a particular goal, economics could help determine whether that goal could be achieved. This is fully consistent with the view that economics is a science of the means. Mises was not advocating an ideology, social philosophy, or ethic. He was describing the ultimate goal of evaluating intervention arguments. So long as the economist pursues that ultimate goal, he can achieve value freedom. Mises’s aim was not to persuade *all* of the advocates of a particular policy. If he had addressed each advocate, he would have heard many different arguments in favor of the policy. To the extent that their arguments differed, he would have had to evaluate each argument separately.

An example of what Mises had in mind is how the economist deals with price intervention. He writes the following:

Economics does not say that isolated government interference with the prices of only one commodity or a few commodities is unfair, bad, or unfeasible. It says that such interference produces results contrary to its purpose, that it makes conditions worse, not better, from the point of view of the government and those backing its interference (HA: 764).

that exist in the imaginary final state of rest toward which, in building his theorems, the economist must assume all prices, including the price of snacks, tends. Rothbard suggests a relationship between the plain state of rest price, or observable market price, and a final state of rest price. The only relationship between them is verbal. The term “price” is used in both definitions. Rothbard also writes that plain state of rest prices, or market prices, “tend to move toward certain long-run equilibria” (MES: 143n). In HA, however, Mises substituted the term state of rest for equilibrium, due to the latter’s mathematical connotation. Nevertheless, Rothbard writes as if the two terms refer to different things.

In his only other use of the term “state of rest” in MES, Rothbard writes that for “all goods, the establishment of the equilibrium price tends to establish a state of rest, a cessation of exchanges” (MES: 255). Such a sentence is a muddle of terms. A state of rest refers to an entire system of prices. There is no such thing as an equilibrium that differs from the final state of rest toward which the economist assumes market interaction tends when he builds an economic theorem.

The Economist as Citizen Regards the Policy as Bad

In yet another effort to show that Mises inserted his ethics into his assessments of economic policy, Rothbard distinguishes between Mises the economist and Mises the citizen. “Mises conceded,” he wrote, “that the economic scientist cannot advocate *laissez-faire* but then added that as a *citizen* he can do so.” As an economist, Mises “could not bring himself simply to assert and inject arbitrary value judgments.” But “as a utilitarian...he...desired to fulfill the goals of the majority of the public...[T]rue to his utilitarian position, [he made the] value judgment [that] fulfilling the subjectively desired goals of the bulk of the populace” is desirable (PVJ: 104-5).¹⁶ Thus, on the basis of the utilitarian social philosophy, writes Rothbard, Mises advocated *laissez-faire* (PVJ: 104). He expresses this view well in his conclusion:

The burden of this paper has been to show that, while praxeological economic theory is extremely useful for providing data and knowledge for framing economic policy, it cannot be sufficient by itself to enable the economist to make any value pronouncements or to advocate any public policy whatsoever. More specifically, Ludwig von Mises to the contrary notwithstanding, neither praxeological economics nor Mises's utilitarian liberalism is sufficient to make the case for *laissez-faire* and the free-market economy (PVJ: 109).¹⁷

However, there is no evidence of which I am aware to support the assertion that Mises, the writer of *Human Action*, adopted the identity of the utilitarian liberalist. In any case, Rothbard does not cite any evidence.¹⁸ Mises's reasoning is that the praxeologist and the economist do not make value judgments. However, the citizen liberal, who he does not claim to be, does. Thus he writes:

While praxeology, and therefore economics too, uses the terms happiness and removal of uneasiness in a purely formal sense, liberalism attaches to them a concrete meaning. It presupposes that people prefer life to death, health to sickness, nourishment to starvation, abundance to poverty. It teaches men how to act in accordance with these valuations (PVJ: 105; Mises 1966: 154).

The economist and the liberalist, writes Mises, use the same terms. However, when the economist uses them, he is referring to a prerequisite of action – the desire of individuals to remove uneasiness

¹⁶Rothbard also expresses this view of Mises toward the end of his 1957 article.

¹⁷This conclusion is complemented in his 1973 article, where he criticizes a number of economists of his generation who “smuggle” value judgments into their policy analyses. While his criticisms are correct, many of the writers he criticizes provided useful knowledge, even if inadvertently, about the impact of intervention on the division of labor. By not referring to Mises's economic science, Rothbard tried to discourage his followers from studying these writers.

¹⁸He may have in mind the same “evidence” to which he referred in ROER.

that leads under the conditions of capitalism to the expansion of the division of labor.¹⁹ When others use these terms, they may be referring to the “immense majority” (HA: 20).

Rothbard claims that this citation supports his view that Mises championed *laissez-faire* as a utilitarian, liberal-minded citizen could. He is wrong here, just as he was in his 1960 report. Thus Rothbard's citation does not support his case. Moreover, whether Mises championed *laissez faire* is irrelevant to the question of whether he employed a value judgment to support a particular economic policy. That question is answered by taking account of the nature of economic science, as Mises defined it.

*Mises a Utilitarian?*²⁰

Rothbard's error is probably due to his desire to equate Mises's treatment of market intervention with his own. For Mises, classical liberalism and utilitarianism are relevant to economics because those who held this ideology discovered the division of labor law, which is the mainstay of economics as a science of the means. The division of labor law, in turn, enables the economist to evaluate intervention arguments in which the proponents are concerned with the output of material consumer goods. For Rothbard, classical liberalism and utilitarianism are relevant to his ethics because they are social philosophies. If Mises had adopted them, Rothbard could compare his own ethical rationale for anti-statism with what he touted as Mises's ethical rationale. But Mises did not adopt them.

Rothbard and his followers think of utilitarianism in terms of a simple Benthamite calculation of benefits and costs. They ignore Mises's claims about utilitarians' discovery that the division of labor under market economy conditions yields higher physical productivity. When Mises refers to the harmony theorem insight of the classical economists in relation to evaluating proposals for market intervention, he is referring to the proponent's unwillingness to sacrifice the material well being she has observed to be present under the conditions of capitalism. Mises is telling his readers that, so long as the proponent cares about material well being, she must account for the higher physical productivity of the division of labor.²¹

¹⁹Mises makes the same point at HA: 15 without referring to liberalism.

²⁰I have discussed this issue previously in Part Four of my 2005 article.

²¹Rothbard was only one of a virtual unanimous cluster of neo-Austrian economists who held this distorted view of Mises and, accordingly helped to divert attention away from Mises's science. Many of these are discussed by Leland Yeager.

Mises a Passionate Adherent of Laissez Faire?

Rothbard speculated that Mises's alleged failure to recognize that his policy judgments were based on his own ethics was due to his emotions. He begins his speculation not about Mises but about "most economists." He writes:

The trouble is that most economists burn to make ethical pronouncements and to advocate political policies – to say, in effect, that policy X is "good" and policy Y "bad." Properly, an economist may only make such pronouncements in one of two ways: either (1) to insert his own arbitrary, *ad hoc* personal value judgments and advocate policy clearly on that basis; or (2) to develop and defend a coherent ethical system and make his pronouncement, not as an economist, but as an ethicist, who also uses the data of economic science...Most economists pay lip service to the impermissibility of making ethical pronouncements *qua* economist, but in practice they either ignore their own criteria or engage in elaborate procedures to evade them (PVJ: 92).

Eventually he turns to Mises. He asserts that Mises was an "uncompromising and passionate adherent of *laissez-faire*" (PVJ: 100-1). By using the term "passionate," Rothbard implies that Mises's emotions led him to overlook the contradiction between what Rothbard claimed was his advocacy of *laissez faire* and his advocacy of value freedom. Rothbard goes on to suggest that, unlike Mises, he is sufficiently wise and emotionally balanced to recognize the ethical basis for his propositions about policy. He provides no evidence of Mises's emotional instability. He seems to infer it from his belief that Mises would not have erred unless he was emotional.

Rothbard's Erroneous View of Science

Why did Rothbard misinterpret Mises? I have suggested that the main source of his error is his desire to present his ethics. There is a second, perhaps reinforcing source. It is his erroneous view of science. This view is evident from his comparison of the physician with the economist. He writes that it is

impermissible for the economist or other social scientist to act as if he were a physician, who can generally assume complete agreement on values and goals with his patient and who can therefore prescribe accordingly and with no compunction (PVJ: 81).

Rothbard's error is to neglect the fact that the physician too evaluates alternative means of achieving what he believes are the patient's aims. She has good reason to believe that the patient wants a treatment that will most alleviate her uneasiness. If she has any doubts about this, she discusses them with her patient. She evaluates the alternative means by taking account of her beliefs about the patient's aims. In doing so, she brings to bear her special knowledge of healing in order to best attain the patient's aims. The economist does something similar. First he learns the aims that the proponent of a market intervention wants to achieve. Then he evaluates the means she has proposed in relation to other means of achieving the proponent's aims. Finally, he brings to bear his special knowledge in order to evaluate the argument and to show the proponent how to best achieve her aims.

A passionate natural scientist may be inclined to make more errors than one who is not passionate. She may even bias her results. A passionate economist may also be inclined to make more errors.

But this fact does not support the claim that a theory of right and wrong is required before a natural scientist can make a contribution.

A physician may be driven by passion to cure the patient even though the patient is content to continue to suffer with a particular disease perhaps in order to avoid the treatment. Similarly, an economist may be driven by passion to produce knowledge about the effects of an intervention even if such knowledge is unwanted.

In the passage that Rothbard criticized, Mises aimed to summarize for his readers – i.e., to bring to their attention at the end of HA – a fact that he regarded as important to his readers and its implication in light of contemporary events. He sought to show that the knowledge produced by the classical and individualist economists is extremely valuable. Thus he writes that if human beings “fail to take the best advantage of [this knowledge]...they will stamp out society and the human race” (HA: 885, as quoted in the Introduction to Chapter Six). He is saying that regardless of the particular criteria that individuals have for proposing an intervention or for proposing socialism, if they do not take advantage of the special knowledge, they will not be able to form the cooperative, division-of-labor society and may not survive. That they will not be able to form the cooperative society is evident. That they will not survive is clearly an exaggeration. The exaggeration can be excused by the fact that it is the last statement made in an otherwise logical argument.²²

Was Rothbard's Distortion Deliberate

In the author's view, it is inexcusable to criticize Mises on the grounds that he inserted value judgments into his analysis. That Rothbard would make such a critique suggests subterfuge. A reasonable hypothesis seems to be that Rothbard aimed to promote his own ethics by trying to support the false claim that Mises statements about policy were, like his own, based on ethics. Once this was accomplished, he could proceed to the next step of trying to show that his ethics are superior. Is there any support for such an hypothesis? Aside from the speculations described here based on the timing of his critiques, one can point to his numerous post-1970 writings that display his particular interpretation of natural law. The social philosophy that he espoused promotes a disparagement of all government action on grounds that sweeps the new economic knowledge into the shadows.

One cannot know, of course, what Rothbard was thinking. It is evident, however, that if he could convince his aspiring Austrian economist readers that Mises's value freedom was due to his ethical or political philosophy, Rothbard's own work would appear in a more favorable light. So there can be no doubt that it was advantageous for Rothbard to misinterpret Mises on value freedom. In any case, it is evident that if Rothbard had interpreted Mises correctly, his prospective students would

²²It is also possible that he is thinking about the fact that capitalism as it exists supports a large world population due to the division of labor. If it were to disappear suddenly, most of that population would starve. Or, he may have been thinking about the US-Soviet policy of mutually assured destruction.

have been more inclined to take account of the division of labor law and of Mises's scientific economics.

A 1991 Introduction to an essay entitled "[Freedom, Inequality, Primitivism, and the Division of Labor](#)," may provide some insight. Rothbard published the original article in 1970. He writes in the 1991 introduction that he had not realized when he wrote the original essay how important the division of labor was to Mises (Rothbard 1991: 299-303). To the author's knowledge, this later realization did not affect Rothbard's future work and did not lead to any retractions or revisions. But perhaps it reflects a blind spot in Rothbard's interpretation. His desire to attract followers to anarcho-capitalism may have led him to overlook what Mises called the great basic principle of "cosmic becoming and evolutionary change" (HA: 145). If so, an optimist might suggest that, if he had not died suddenly in 1995, an aging and reflective Rothbard might have rethought his criticism and retracted it. One never knows.

4. CONCLUSION

Mises described the special knowledge possessed by the economist in the following passage from his 1933 book:

The theory of the division of labor – the starting point of sociology [praxeology and economics] – demonstrates that there is no irreconcilable conflict, as collectivist metaphysics maintains, between the interests of society and those of the individual. In isolation the individual cannot attain his ends, whatever they may be, or at least not to the same extent, as by social cooperation. The sacrifices he makes for the maintenance of social cooperation are therefore only temporary: renunciation of a momentary benefit for the sake of an advantage that endures throughout the continued existence and evolution of the division of labor ([Mises 1933: 44](#)).

The theory of the division of labor, as Mises calls it here, was revised by the individualist economists and incorporated into what I have called the [law of consumer sovereignty](#).

In HA, Mises maintained that the law of consumer sovereignty enables the praxeologist qua economist to make value free evaluations of intervention arguments. To reach the point where he can make such evaluations, the economist must produce a system of theorems, or economic theory. The system must be built step by step. One of the steps consists of building theorems for the imaginary construction of pure capitalism. The economist cannot ordinarily use such theorems, by themselves, to directly evaluate arguments that pertain to real market intervention. He must make additional assumptions and imaginary constructions. The economist's goal in adding assumptions and constructs is to match the image of capitalism employed by the proponent of the intervention argument he aims to evaluate.

Whatever evaluations he makes will be value free in the same sense that the physicist's evaluations of proposed goal-oriented material interventions are value free. The economist will have applied that knowledge in the same way that the natural scientists apply knowledge to evaluate previously used means of achieving material ends. Just as the knowledge of the agronomist can help

a typical farmer produce and consume more farm goods, so also can knowledge of economic theory help individuals in market interaction under capitalism cause more material consumer goods to be produced with the same elements. The knowledge in the two sciences is different and it is acquired in different ways. But since it is used in both cases to evaluate means of achieving material ends, it is reasonable to call both types of knowledge scientific and to call those who produce the knowledge scientists.

Rothbard critiqued Mises's belief that he had achieved value freedom in his economic science. Sadly, as I have shown in this essay, he totally disregarded this argument. The reason seems to be twofold. First, he lacked either the capacity or the patience to learn and understand the significance of the basic principles of the economic science – the division of labor law and the consumer sovereignty law. Second he aimed to promote his social philosophy, or ethics.

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