

June 21, 2005

## Did Mises Err? Was He a Utilitarian?: Reply to Block

### **Gunning's Address**

**J. Patrick Gunning**  
**Visiting Professor**  
**U.S. Coast Guard Academy**  
**Management Department**  
**15 Mohegan Avenue**  
**New London, CT 06320**

**Please send feedback:**

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

**[Go to Pat Gunning's Pages](#)**

## **Did Mises Err? Was He a Utilitarian?: Reply to Block**

### **Abstract**

Walter Block's critique of my paper fails to address the main argument. It is that Ludwig von Mises's support for laissez faire comes from a comparison of the systems recommended by the ideologies of socialism, interventionism, and liberalism. Mises compares these systems according to the criterion of their capacity to achieve the goal of satisfying material wants, which is either explicit or implicit in the arguments made by those who subscribe to the ideologies. He uses value-free economic reasoning to determine whether the systems recommended by the three ideologies will achieve the goal. In this reply, I reaffirm this argument in the face of Block's critique. In addition, I address two other arguments. The first is the implicit argument in Murray Rothbard and Block that Mises erred because he failed to take account of all of the goals that policy advocates might have in recommending a policy. I argue that he did not err. The second is that Mises is a utilitarian, also advanced by Leland Yeager. I argue not only that he was not but that he repudiated the idea that his support for laissez faire was based on utilitarian welfare principles. The reply also answers some of Block's more specific criticisms of my paper.

## 1. Introduction

Mises erred twice in thinking that he had provided a defense of laissez faire based on value-free economics. First, when he discussed a market intervention, he did not realize that his defense made the unwarranted assumption that he knew the preferences of those who are effected by it. Second, partly because he made this unwarranted assumption, he failed to see that his defense was based on the unanimity principle and/or "his utilitarianism." These are the major deficiencies identified by Murray Rothbard in his 1976 paper. Contrariwise, I argued that Rothbard failed in that paper to comprehend the true basis of Mises's defense of laissez faire and that he attributed Mises with ideas, including the unanimity principle and utilitarianism, that he did not have (Gunning, 2005). A careful reading of my paper shows that I made two claims about Rothbard. First, Rothbard failed to identify Mises's principal argument for laissez faire. Mises's argument was based on a comparison, using value-free economic reasoning, of arguments for market intervention according to criteria that Mises claimed were either explicitly or implicitly espoused by those who promoted the intervention. Second, Rothbard misinterpreted Mises's analyses of the arguments against the particular interventionist policies that he cited in Mises's work. In his comment on my paper, Walter Block chose to criticize my second claim, arguing basically that I did not appreciate Rothbard's depth (Block, 2005). His argument amounts to an effort to reaffirm Rothbard's critique of Mises's alleged error and his alleged utilitarianism.

In part two of this reply, I provide the textual support for my first claim which Block writes was absent from my original paper. In parts three and four, I focus on what I take to be the main assertions of both Rothbard and Block, as described in the introductory sentences above. In part three, I argue that Mises did not believe or assume that he could know others' ends and, therefore, did not err in this respect. In part four, I argue that the assertion that Mises was a utilitarian contradicts what Mises himself wrote about the issue. In part five, I respond to several minor points in Block's critique.

## 2. Mises's Defense of Laissez Faire as an Ideology Against the Ideologies of Socialism and Interventionism

In my paper, I wrote: "Mises's argument that an economist could advocate laissez faire and still remain value-free stemmed from his conception of the *goal* of economics." What was that goal? Consider the following quotations from Mises's *Human Action*:

It is the task of history to describe the historical conditions which made such a crude doctrine popular. Economics has another task. It must analyze both Marxian polylogism and the other brands of polylogism formed after its pattern, and expose their fallacies and contradictions (Mises 1966, p. 75).

It is the task of scientific technology and therapeutics to explode errors in their respective fields. It is the task of economics to expose erroneous doctrines in the field of social action. But if men do not follow the advice of science, but cling to fallacious prejudices, these errors are reality and must be dealt with as such (*ibid.*, p. 93).

The main objective of praxeology and economics is to substitute consistent correct ideologies for the contradictory tenets of popular eclecticism (*ibid.*, p. 185).

I regard these quotes as additional support for my proposition that, for Mises, the goal of economics is to show either that particular ideologies are contradictory or erroneous or that the policies promoted by those who hold the ideologies will not accomplish the aims that they believe the policies will accomplish. The goal, or set of goals, of economics can be accomplished with logical reasoning and judgments of relevance. Economics is logical reasoning about human action (praxeology) applied to the evaluation of policy arguments in which an understanding of human action under the conditions of the market economy (a private property system, specialization, use of money, free enterprise) is needed.

According to Mises, economics is a set of logical deductions about "what is" in the sense that the images it constructs must be relevant to the social facts one aims to describe. Ideology goes beyond the study of things as they are. It is "about the ought, i.e., about the ultimate ends which man should aim at in his earthly concerns" (*ibid.*: 178). Ideology can also be distinguished from the broader concept of a *world view*, which is

an interpretation of all things, and as a precept for action, an opinion concerning the best means for removing uneasiness as much as possible...Religion, metaphysics, and philosophy aim at providing a world view. They interpret the universe and they advise men how to act."*ibid.*, p. 178; Gunning 2005, p. 3)

Ideologies may be of many types. Let us follow Mises by dividing them into two classes: (1) asceticism and (2) non-ascetic ideologies. Economics is irrelevant to asceticism. Mises focused on those ideologies that claim to be about the attainment of earthly ends which he, more or less, equated with progress. These "must pay heed to the fact that *society* is the great means for the attainment of earthly ends."*ibid.*, p. 179, emphasis added) The term "society," or *social cooperation*, has a meaning for Mises that may not be obvious to the ordinary reader. It refers to a state of interaction characterized by specialization and the division of labor. In this state, individuals can better achieve their material wants, or earthly ends.<sup>1</sup>

Because the policies advocated by the proponents of a non-ascetic ideology are concerned with "earthly ends;" if we want to evaluate their policy arguments from a logical point of view, we must use economics (*ibid.*: 182-4), which starts out by studying the social cooperation in the market economy. In other words, we must understand the market economy's contribution to the production of what ordinary people regard as material wealth. "[N]o appeal to any religious or metaphysical dogmas and creeds can invalidate the theorems and theories concerning social cooperation as developed by logically correct praxeological reasoning" (*ibid.*, p. 180).

In Mises view, the goal of evaluating the arguments put forth by what we might call non-ascetic ideologists is in accord with the spirit of the early economists. "In lecturing and writing books, [the early economists] were eager to communicate to their fellow citizens the results of their thinking. They tried to influence public opinion in order to make sound policies prevail in the conduct of civic affairs."*ibid.*, p. 869)

---

<sup>1</sup>See Joseph Salerno (1990, p. 28) for the special meaning that Mises attached to the concept of social cooperation.

What are the non-ascetic ideologies that Mises believes praxeology and economics will help one assess? In a section of *Human Action* entitled "World View and Ideology," Mises appears to answer this question by discussing political parties.

In the field of society's economic organization there are the liberals advocating private ownership of the means of production, the socialists advocating public ownership of the means of production, and the interventionists advocating a third system which, they contend, is as far from socialism as it is from capitalism. In the clash of these parties there is again much talk about basic philosophical issues. People speak of true liberty, equality, social justice, the rights of the individual, community, solidarity, and humanitarianism. But each party is intent upon proving by ratiocination and by referring to historical experience that only the system it recommends will make the citizens prosperous and satisfied. They tell the people that realization of their program will raise the standard of living to a higher level than realization of any other party's program. They insist upon the expediency of their plans and upon their utility. It is obvious that they do not differ from one another with regard to ends but only as to means. They all pretend to aim at the highest material welfare for the majority of citizens (*ibid.*, p. 183)

I take this to mean first that there are two or three ideologies: liberalism, socialism, and possibly interventionism. Second, I take it to mean that each of these ideologies aims to satisfy and, indeed, to progress in the satisfaction of, earthly ends. The first is consistent with the fact that Mises published books on each of the ideologies mentioned (Mises, 1922, 1927, 1940).

An outstanding feature of the use of economics to achieve this goal is that while economics is directly concerned with evaluating arguments relating to public policy, it may nevertheless remain value free. This is because the *logic* of economic policy arguments can be evaluated without bias or preconception.

[The] postulate of *Wertfreiheit* can easily be satisfied in the field of the aprioristic science – logic, mathematics, praxeology [of which economics is a branch] – and in the field of the experimental natural sciences. It is logically not difficult to draw a sharp line between a scientific, unbiased treatment of these disciplines and a treatment distorted by superstition (*ibid.*, p. 48)

A policy argument can also be evaluated in terms of its *relevance*. Although most of Mises's discussion of relevance concerns the task of doing history (e.g., *ibid.*, p. 57-58), he points out in his section of the "Procedure of Economics" that "the end of science is to know reality." "Therefore, praxeology restricts its inquiries to the study of acting under those conditions and presuppositions which are given in reality" (*ibid.*: 65). An evaluation on the basis of relevance concerns whether conditions assumed by the proponent of a policy "are given in reality."

How does the argument that economics is value free square with Mises's strong liberalism in human affairs and his advocacy of *laissez faire*? In discussing the procedure of building an image of the pure market economy, he writes:

It is true that economists have drawn from their investigations the conclusion that the goals which most people, practically even all people, are intent on attaining by toiling and working and by economic policy can best be realized where the free market system is not impeded by government decrees. But this is not a preconceived judgment stemming from an insufficient occupation with the operation of government interference with business. It is, on the contrary, the result of a careful unbiased scrutiny of

all aspects of intervention.(*ibid.*: 238)

Thus, as Mises sees it, the economist's conclusions about the market economy stem not from a normative judgment but from the study of whether intervention has achieved peoples' goals. Economics, according to Mises, shows that intervention fails to achieve "the goals that most people, practically even all people, are intent upon attaining." It may appear that this is some kind of utilitarian or unanimity criterion. It is not. This is evident from the fact that Mises has already told us that the achievement of peoples' goals is also the aim expressed or implied by the non-ascetic ideologies. In advocating the socialist, interventionist, or laissez faire systems, the major non-ascetic ideologies aim to cause the material wants or "earthly ends" of practically all people to be satisfied to an increasing degree.

In my paper, I used the term "progress" as a surrogate for "the attainment of earthly ends." Mises himself sometimes referred to the goals that the socialists and interventionists want to achieve as the former, sometimes the latter. I followed Mises in defining progress as the human being's striving "after a greater and better supply of food, clothes, homes, and other material amenities" (Gunning 2005, p. 4; Mises 1966, 193).

Having presented this documentation in addition to that provided in part two of my original paper, I now restate my interpretation. Mises's advocacy of laissez faire was based on his comparison of that system with the systems advocated by those who subscribe to the ideologies of socialism and interventionism, as opposed to liberalism. His basis for comparison was the production and distribution of material goods, or satisfaction of earthly ends. Using value-free economic reasoning, he deduced that laissez faire would outperform the two alternative systems in this department because of the social cooperation that would be achieved under the conditions of the market economy advocated by liberalism. From this point of view, laissez faire is superior.<sup>2</sup>

### 3. Knowledge of Goals

Rothbard argued that Mises erred. Specifically, Rothbard believed that Mises's criticism of the minimum wage was based on his assumption that the policy was not in the interest of the workers. Since Mises could not know the interests of *all* the workers, reasoned Rothbard, he must be using some kind of value judgment or welfare function. Mises erred in not recognizing this. In his paper, Rothbard asserted that in some passages, Mises used a unanimity principle, which is a welfare criterion that we usually associate with Pareto or Wicksell. Block reiterated Rothbard's argument about Mises and asserted that my claim that Mises was innocent of this error was not substantiated.

Rothbard and Block are wrong. In the cases in question, Mises does not *claim* to know the goals of *those affected* by a policy; he *assumes* that he knows the goals of *those who advocate* of the policy – i.e., of those who present the policy argument. Nor is there any reason to believe

---

<sup>2</sup>In addition to the references in Human Action which I provided in my original paper, the following may also be consulted: Mises 1991 [1962], p. 587-592 and Mises 1990, p. 300-301.

that he errs in neglecting the possibility that the goals of the advocates might be different from what he assumes; to assert otherwise is tantamount to assuming that his arguments in this realm are not tightly reasoned which, as I pointed out in my paper, a close reading of his text reveals is incorrect. Mises evaluates the policy arguments on the basis of whether the reasoning contained in them is correct, in light of what economics reveals about social cooperation in the market economy, given the goals that he assumes the policy advocates have. In my original paper, I supported my interpretation with quotes from and references to passages in *Human Action* (Gunning 2005. P. 9-11). Professional corroboration is provided by Kirzner 1976, p. 82; White 1992, p. 260; and Mises himself in his recollections (Mises 1978, p. 114).

Rothbard and Block are certainly correct to say that in the absence of the knowledge of the goals of advocates of a particular policy, one could not properly claim that a policy is in their interest. However, they are wrong to conclude that Mises attempted to evaluate a *policy* in this sense; his aim in these exercises was to evaluate a *policy argument*, with respect to which the goals of the proponents were assumed.

#### 4. The Claim that Mises was a Utilitarian

Both Rothbard and Block claim that Mises supported laissez faire on utilitarian grounds. Like the unanimity criterion, this was a particularly convenient claim for Rothbard, who sought to promote an Austrian welfare function and a natural rights ethic.<sup>3</sup> For if Mises's support for laissez faire policies was based on a utilitarian welfare function, Rothbard and his followers would have some justification for a claim that Rothbard's work in building a welfare function based on natural rights (i.e., his natural rights system of ethics) was an extension of Mises's use of a utilitarian welfare function to advocate laissez faire. The claim, if correct, would also support Block's assertion in the first paragraph of his paper that Rothbard and Mises are twin giants "in the field of laissez faire studies."

I did not discuss Rothbard's claim about Mises's alleged utilitarianism at length because I believed that I had already shown convincingly in part 2 of my paper that Mises's support for laissez faire had a different source. I wrote merely that "Rothbard presents no evidence that Mises, the citizen, is a utilitarian" (p. 15 of my manuscript). Block responds by writing that Mises's utilitarianism is "well established" and that Mises never denied his alleged utilitarianism (p. 11 of Block). He does not tell us why he believes this is well established or why Mises would have to deny a position that he never claimed to hold in order to satisfy his post-humus interpreters. In any case, the rationale that both Rothbard and Block use to deduce Mises's utilitarianism is that Mises used the criterion of material wealth and earthly ends to support laissez faire. Block did not appreciate my argument in part two of my earlier paper that Mises used the criteria of material wealth and earthly ends (i.e., progress) to evaluate laissez faire, socialism and interventionism because these were the criteria that the ideological advocates of these systems had employed.

---

<sup>3</sup>My argument that Rothbard sought to promote an Austrian welfare function was stated on p. 19 of my earlier paper.

### Yeager's Assertion of Mises's Utilitarianism

Regardless of this, let us explore the question of whether Mises was a utilitarian. The most recent proponent of this view is Leland Yeager (2000). In footnote 6 of my original paper, I pointed out that Rothbard and Yeager have claimed that Mises is a utilitarian but that they provide no argumentation for their case. I went on to assert that the latter supports his claims by referring not to Mises's own position but to his discussion of various philosophical or ethical positions held by others. More specifically, I wrote that Yeager refers to Mises's discussions of the old liberals as if Mises's acknowledgment of the old liberals' utilitarianism constitutes his agreement with it as a basis for making judgments about laissez faire. Yet Mises does not himself use the old liberal argument to support laissez faire. His support of laissez faire is based on criteria that I described in part 2 of my original paper and in part 2 of this paper. More recently, Yeager has published another paper that attempts more fully to document the claim. I now turn to that paper. Yeager introduces his discussion with the claim that Mises "forthrightly and courageously avowed utilitarian ethics in a hostile intellectual atmosphere" (*ibid.*, p. 237).<sup>4</sup> He goes on to write: "In some passages [in *Human Action*] Mises is quite explicit about his utilitarianism" and "Mises presents a utilitarian case for democracy and classical liberalism" (*ibid.*, p. 238-239). However the fact that Mises presents a utilitarian case does not, by itself, demonstrate that he is a utilitarian or that he uses utilitarianism to support a policy or a system. None of the references or passages cited by Yeager unambiguously supports the claim that the utilitarian position being presented was Mises's own position.

In some of the references, Mises is not explicit. One must interpret his meaning by first comprehending the wider context, as presented in part 2 of this paper. For example, Yeager cites a passage in *Human Action* where Mises maintains that "[f]lexibility of prices and wages is the vehicle of adjustment, improvement, and progress. Those who condemn price and wage changes as unjust are working against endeavors to make economic conditions more satisfactory" (*ibid.*: 239). Apparently, Yeager means to suggest that the terms "improvement," "progress," and "satisfactory" imply a utilitarian ethic. However, there is nothing in the section from which this quote is taken to suggest this. Mises does not elaborate on the meaning of these terms in this section, but this does not warrant the use of this passage, standing alone, to support the view that Mises employs utilitarianism as a kind of welfare function or ethical foundation to support price flexibility. This passage is equally consistent with the view that Mises was debunking not a particular policy but a policy argument, according to the interventionist criterion of earthly ends, or progress. Yeager goes on to find evidence of Mises's utilitarianism in Mises's other writings. Although he quotes Mises extensively, neither the quotations nor his argumentation necessarily support the proposition that Mises employs a welfare function based on utilitarianism, or any other variant of utilitarianism, as a basis for advocating laissez faire. They do support the position that Mises wrote that the old liberal utilitarians supported laissez faire on this basis. But whether

---

<sup>4</sup>References to "Mises the utilitarian" or to "Mises, as a utilitarian," are scattered throughout the paper.

Mises himself did so is not demonstrated by Yeager's quotations and citations.<sup>5</sup> What Yeager appears to do in his paper is to infer that Mises's exposition of the utilitarian position and his praise for the old liberals who held it implies that he himself was a utilitarian.

### **Mises on Welfare Economics and Utilitarianism**

A much stronger case against Yeager's interpretation could be made on the basis of Mises's direct discussion of the issue. In Chapter 35 of *Human Action*, which I have recently reread, Mises seems to explicitly deny any role at all for welfare economics and the utilitarian class of welfare functions. Indeed, he writes that welfare economics amounts to an implicit denial of economics, as it was handed down by the old liberals and modified by the best literary neoclassical economists.<sup>6</sup> In light of Rothbard's, Yeager's, and now Block's arguments; it is necessary to quote Mises at length. These quotations should not only make clear that Mises's view of welfare economics is quite the opposite of that held by Rothbard in his 1956 paper but also dispel any notion that Mises was a utilitarian. Mises begins with a statement that, in essence, tells how the doctrines of the socialist and interventionist propagandists have failed due to their bad economics. Rather than admit the failures, however, the propagandists have introduced the "welfare principle."

Propagandists must finally admit that the market economy...[f]rom day to day...increases the quantity and improves the quality of products. It has brought about unprecedented wealth....But, objects the champion of interventionism, it is deficient from what he calls the social point of view. It has not wiped out poverty and destitution (Mises 1966, p. 833).

Instead of the allowing decisions about how to act to be based on the "profit principle" (i.e., to be made by entrepreneurship) these propagandists want them to be made on the basis of the "welfare principle." However, if we try to add content to this welfare principle by employing some concept of utility that focuses on material well being, we quickly realize that for the "immense majority of nonascetic people," the profit principle leads to the market economy (*ibid.*). In other words, we already know that the immense majority of human beings will better satisfy their non-ascetic wants by means of the market economy than by means of some alternative system. He goes on to write:

We may try, for the sake of argument, to interpret the concept of welfare in such a way that its acceptance by the immense majority of nonascetic people would be probable. The better we succeed in these endeavors, the more we deprive the idea of welfare of any concrete meaning and content. It turns into a colorless paraphrase of the fundamental category of human action, viz., the urge to remove uneasiness as far as possible. As it is universally recognized that this goal can be more readily, and even

---

<sup>5</sup>In a recent private communication, Yeager considers my argument as hair-splitting. If one's goal is to present a case for a utilitarian ethics, perhaps it is. However, if one's goal is to interpret Mises correctly, the grounds for this disagreement are stated by Mises himself, as I show below.

<sup>6</sup>These include in the tradition Carl Menger, J. B. Clark, Eugen Bohm Bawerk, Frank Fetter, and Frank Knight.

exclusively, attained by social division of labor, men cooperate within the framework of societal bonds. Social man as differentiated from autarkic man must necessarily modify his original biological indifference to the well-being of people beyond his own family. He must adjust his conduct to the requirements of social cooperation and look upon his fellow men's success as an indispensable condition of his own. From this point of view one may describe the objective of social cooperation as the realization of the greatest happiness of the greatest number. Hardly anybody would venture to object to this definition of the most desirable state of affairs and to contend that it is *not* a good thing to see as many people as possible as happy as possible.

All the attacks directed against the Bentham formula have centered around ambiguities or misunderstandings concerning the notion of happiness; they have not affected the postulate that the good, whatever it may be, should be imparted to the greatest number.

However, if we interpret *welfare* in this manner, the concept is void of any specific significance. It can be invoked for the justification of every variety of social organization. It is a fact that some of the defenders of Negro slavery contended that slavery is the best means of making the Negroes happy and that today in the South many Whites sincerely believe that rigid segregation is beneficial no less to the colored man than it allegedly is to the white man. The main thesis of racism of the Gobineau and Nazi variety is that the hegemony of the superior races is salutary to the true interests even of the inferior races. A principle that is broad enough to cover all doctrines, however conflicting with one another, is of no use at all. But in the mouths of the welfare propagandists the notion of welfare has a definite meaning. They intentionally employ a term the generally accepted connotation of which precludes any opposition. No decent man likes to be so rash as to raise objections against the realization of welfare. In arrogating to themselves the exclusive right to call their own program the program of welfare, the welfare propagandists want to triumph by means of a cheap logical trick. They want to render their ideas safe against criticism by attributing to them an appellation which is cherished by everybody. Their terminology already implies that all opponents are ill-intentioned scoundrels eager to foster their selfish interests to the prejudice of the majority of good people.

The plight of Western civilization consists precisely in the fact that serious people can resort to such syllogistic artifices without encountering sharp rebuke. There are only *two explanations* open. Either these self-styled *welfare economists* are themselves *not aware* of the logical inadmissibility of their reasoning; or they have chosen this mode of arguing *purposely in order to find shelter* for their fallacies behind a work which is intended beforehand to disarm all opponents. In each case their own acts condemn them.

*There is no need to add anything to the disquisitions of the preceding chapters concerning the effects of all varieties of interventionism. The ponderous volumes of welfare economics have not brought forth any arguments that could invalidate our conclusions.* The only task that remains is to examine the critical part of the welfare propagandists' work, their indictment of the market economy.

All this passionate talk of the welfare school ultimately boils down to three points. Capitalism is bad, they say because there is poverty, inequality of incomes and wealth, and insecurity (*ibid.*, p. 833-835, emphasis added).

In short, Mises dismisses welfare economics based on utilities of individuals as either an exercise in which the welfare economists are unaware of the mistakes in their reasoning or an effort to mask their interventionist propagandizing. Referring to the first possibility, the error is due to their implicit denial that there are mutual benefits of exchange and the market system. To ask what economic policy a government should adopt by employing the framework of welfare economics is like asking what policy a lifeguard should adopt to help an olympic swimmer avoid drowning, given the assumption that the swimmer cannot swim.

This is a severe criticism indeed. Moreover, since Mises does not cite a specific work in the field of theoretical welfare economics, a reader might readily disregard these statements on the grounds of Mises's alleged passionate advocacy of *laissez faire*. I shall argue, on the contrary, that

Mises's attack not only is justified but that it helps one provide a reasonable interpretation of the fate of this episode in the history of professional economic thought.

### **The Fate of Welfare Economics**

I shall argue that the error that Mises asserts is not a necessary consequence of theoretical welfare economics but that it accurately reflects the way this field of study ultimately developed. Welfare economics was introduced (in the 1920s and 1930s) as professional economists sought to apply the economics of Marshall, as transmitted through his successor at Cambridge A.C. Pigou (1920), to the task of evaluating market intervention policies. The starting point was a welfare economics based on the Benthamite principle of utility. According to this approach, the task of the policy analyst was to predict the effects of a particular policy on individual utilities and to compare them with the utilities the individuals would experience in the absence of the policy. If the sum of the positive and negative utilities due to a policy is greater than zero, the policy was said to be acceptable. Under this scheme, two different economists might fully agree on the material effects of a policy but disagree on whether a policy is, in net, beneficial. This could occur either if they attribute different utilities to the affected individuals or if they use a different scale to weigh the positives against the negatives.

The utility approach to policy evaluation was not sufficient for some economists. They sought to introduce non-utility criteria into the equation. Among these were the reduction of poverty, reduction of inequality, providing security, and social justice. These economists needed a more comprehensive concept to describe their criteria. Coincident with the growing use of mathematics in welfare economics, the economists came to use the term “welfare function” to refer to the broader concept.<sup>7</sup> Those who considered only utility in their policy analysis were said to take a narrower view of welfare than the others. We might say that the former adopted a utilitarian welfare function. Within the set of utilitarian welfare functions was the Pareto welfare function, which demands that a policy at least not reduce the utility of anyone. Outside the utilitarian set, any concept of goodness could be employed.

So long as one approaches the task of evaluating an interventionist policy argument from within the set of utilitarian welfare functions, and so long as he practices his craft properly; he would be unlikely to disregard the benefits of the market economy. One who evaluated a particular market intervention would aim to compare the utilities of the individuals that he presumed would exist in the absence of the policy with those that he presumed would exist if the policy was adopted. It is true enough that utilities cannot be measured and that a policy analyst cannot be certain that utilities would be higher under one set of circumstances than under another. It is not being argued here that “utilitarian welfare economics” could avoid such problems as the interpersonal comparison of utilities. The point is only that one who uses this framework competently is unlikely to disregard the utilities that would exist in the absence of any policy intervention whatever – i.e., the utilities that would presumably be generated through market interaction.

---

<sup>7</sup>See Bergson 1938, Samuelson 1947, and J. de V. Graaff 1967: 4-10.

For those who advocated a shift to a broader welfare economics, disregarding market benefits was easier. In particular, to some proponents, theoretical welfare economics became a means of turning the science of economic interaction into a type of engineering. Just as the engineer sets out the alternative methods of production without judging which method of production is best (because he does not know the prices of the factors of production), so also can the economist set out the alternative means of achieving certain social goals – if the goals are supplied to him by those who demand to know the alternatives. Just as the engineer is ordinarily the servant of some businessperson; the economist, in this image, should become the servant of a government. In ordinary language, the policy economist could say: “If you will clearly specify the goal, or goals, that you want a policy to achieve; we will be happy to analyze the alternative policies, ranking them in terms of their capacity to achieve those goals.” One of the popular applications of this mode of thinking was the Phillips curve. The textbooks proclaimed: “Scientific analysis informs us of the tradeoff between aggregate unemployment and inflation. But we cannot choose which is best. We need a leader, or politics, to do this.”

One who adopts this point of view need not disregard the utilities that individuals receive from the market economy. However, a student whose understanding of the market economy is not strong or who learns welfare economics before he begins to study market economy interaction may easily be persuaded that the question of whether the laissez faire, socialist or interventionist system is best from the standpoint of people's utilities, earthly ends, or progress is unsettled. The same is true for a non-economist who recognizes the importance of "consulting the experts" but also who reserves the right to make up her own mind on the issue of which system is best. In an economics profession that has moved away from the study of history of economic thought, the result could be a kind of institutional forgetting of the very principles on which the science was built.

Theoretical welfare economics has not fared well as a field within the economic profession. The notion that the new welfare economics could provide help in evaluating policy was ultimately overwhelmed by a combination of (a) social choice theory which pointed to the futility of trying to identify a practical means of translating individual utilities, by means of collective choice rules, into a usable social welfare function (Arrow, 1951; Riker, 1982); (b) public choice theory which provided reasons to think that even if one could employ theoretical welfare economics to determine the best policy, not only was it unlikely to be adopted in a democracy because of incentives to mislead and to seek “rents,” if it was adopted, it was unlikely to be administered efficiently (Gunning 2003); and (c) questions about whether the empirical findings of the past were sufficiently repeatable to be a guide for policy. Nevertheless, one legacy of theoretical welfare economics has survived and is present in every widely used modern economics textbook. These textbooks *begin* with the assertion that economists ought to maintain a clear distinction between (1) the choice of values and (2) the analysis of the effects of a policy. This beginning point is patently different from that of Mises, who asserts that economics consists of the evaluation of arguments derived from non-ascetic ideologies. For Mises, the starting point is to build an understanding of the market economy, or capitalism. Armed with this understanding, one is prepared to evaluate an argument that a socialist or interventionist policy will better meet "earthly ends."

### **Rothbard's Critique in Perspective**

In light of recent developments in professional economics, we can summarize Mises's view as follows. Mises asserted that every socialist, interventionist, and liberalist aimed to assure the satisfaction of material wants (or earthly ends) and to achieve progress (as he defined it). He argued further that interaction under the conditions of the market economy accomplishes these goals. For this reason, the study of social cooperation in the market economy is the starting point of economics. The socialist who asserts that the market system should be abolished and replaced by a planned socialist system is a poor economist because he does not comprehend the teachings of economics. By the same token, the interventionist who employs a broad social welfare function while disregarding the benefits of *laissez faire* to the people does not comprehend these teachings. Also by the same token, the writer of a principles of economics text who begins by trying to separate value judgments from analysis is giving evidence that his understanding is deficient. From the viewpoint of Mises's praxeological economics, modern theoretical welfare economics, socialism, and the engineering-oriented textbook writer, are likely to depreciate the traditional teachings of economics that began with the old liberal utilitarians and were modified and improved by the various literary neoclassical economists [who were not utilitarians, although Mises did not emphasize this].

In my original paper, I alleged that Rothbard's misinterpretation might have been due to his "acceptance of the tenets of modern welfare economics" (Gunning 2005, p. 20). Block objects that, "to add insult to injury, [Gunning interprets] Rothbard as some sort of mathematical economist who focuses only on equilibrium states at the expense of market process...." (Block, p. 15) I neither wrote nor implied anything about equilibrium or market process. My main claim is that Rothbard's work is in one way like that of the modern welfare economists who claimed that a welfare function – one that might include goals like inequality, providing security, and social justice – is necessary to evaluate policy. Just as these welfare economists distract our attention from the market economy and suggest that the study of other systems may be more worthwhile than the history of economics would suggest, so does Rothbard's distract our attention. His implicit message is that we need pay little attention to the history of economics and that we should focus on the development of a natural rights ethic in order to defend *laissez faire*. A subsidiary claim is that Rothbard was led to misinterpret Mises because he had implicitly been persuaded by the Samuelsonian-type welfare economics which sees economic science as a kind of engineering.

How would Mises have answered Rothbard's critique (Block, p. 13)? He would point out that Rothbard misunderstood his argument and he would write that *laissez faire* could be supported by showing that the socialists and interventionists could not achieve the non-ascetic goals of material wealth, earthly ends, and progress, which they claimed their policies could

achieve.<sup>8</sup> Moreover, it could often be shown that the goals that advocates of a particular interventionist policy expressed could not be achieved through the policy they advocated.

### Conclusion

Thus, Rothbard and Block (and probably Yeager) appear to be completely wrong about Mises's utilitarianism. One suspects that the error is due to their acceptance of the value judgment-analysis distinction that stems from theoretical welfare economics. Let me summarize this position in somewhat greater detail than I have done to this point.

*Mises asserted that the old liberals advocated laissez faire on the basis of utilitarian principles. Their utilitarianism also provided the first steps in the direction of a scientific economics and helped to lead Mises himself to the insight that economics is a branch of praxeology. In conjunction with his formally working out the methods of praxeology and economics, Mises became convinced that a modified presentation of economic reasoning, first introduced by the old liberal utilitarians, was value-free. He went on to employ this value-free reasoning to evaluate the ideologies of socialism and interventionism and a number of specific policy arguments. He saw such evaluations as the primary goal of economics. He evaluated the ideologies by focusing on a particular set of goals that he asserted was explicitly or implicitly claimed in the ideologies, namely, the production of material wealth, achievement of earthly ends, progress, etc. These goals were similar if not identical to those of the utilitarians. He went on to employ value-free economic reasoning to support his argument that the systems of socialism and of interventionism would not be capable of achieving these goals. Using the same reasoning, he deduced that these goals can be achieved by laissez faire, which is the system advocated by the old liberals and utilitarians. In addition, Mises evaluated specific interventionist policies on the basis of whether they would achieve goals that he assumed the advocates of the policies had.*

---

<sup>8</sup>To see the substantial difference between Mises and Rothbard, consider the following Rothbard statement from his *Man, Economy and State*:

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 (Rothbard, 1962, 880-881).

As Mises viewed the matter, the "ethicist" – or, in Misesian terms, the proponent of an ideology concerned with non-ascetic ends – had already expressed or implied his desire that "most people, practically all people" attain their ends. It is for this reason that praxeological economics need not "retire from the scene." Indeed, to achieve its goal, it must remain on center stage. The economist can advocate laissez faire as the system in which the aims of every non-ascetic ethicist are most likely to be achieved. The quoted passage is reprinted in, and taken from, White 1992, p. 251.

## 5. Specific Responses to Block

I end this paper with a list of shorter replies to specific comments made by Block in his paper.

1. Neither I nor Mises, whom I cited, anthropomorphized (Block, p. 2). We merely employed a linguistic convention. I used the term "goal of economics" to refer to the "goals of economists" in more or less the same way as Mises.

2. Block's verbal exercise of inserting "some of" or "all of" into Mises's statements (Block, p. 3-5) does not address the only points I attempted to make. My first point is that Mises was not writing about an ethical principle at all in these statements but about the task of determining whether a policy would achieve the goals that its advocates (whether all or some) wanted them to achieve. Accordingly, it does not matter whether we insert "some of" or "all of" into the statements.<sup>9</sup> My second point is that although Rothbard began his critique by saying that Mises's used a variant of the unanimity principle, Rothbard's actual critique was based instead on his argument that Mises could not know the goals of the policy advocates.

3. I do not "rely" on Larry Eshelman's paper (Block, p. 6). I merely cite his paper as having made an argument similar to mine about Mises's alleged utilitarianism.

4. My claim in note 5 of my paper, which is a peripheral to a peripheral, is that Mises did not disregard people with high time preference, as Rothbard implied; moreover, taking them into account (or disregarding them) is not relevant to Mises's advocacy of laissez faire. Rothbard's misinterpretation is an extension of his misplaced claim that in commenting on policy, Mises disregarded the preferences of some of the individuals.

Incidentally, I agree that "Mises nowhere specifically states 'that economics is only concerned with long-run interests'"(Block, p. 9) I did not mean to say that he did. A closer reading of my text will indicate that in spite of some imprecision, this is not my meaning.

5. Block suggests that my mention of the goals of earthly ends, economic progress, and food, clothes, homes and other material amenities is evidence that I took a "turnabout," implying that I acknowledged Mises's alleged utilitarianism after all (Block, p. 11). Yet I very clearly indicated these goals as being the criteria used by the socialist and interventionist ideologies that Mises critiqued.

---

<sup>9</sup>It is true that I wrote: "We must conclude that Rothbard's claim that Mises used a 'variant of the unanimity principle' is not supported by the text he quoted" (Gunning 2005, 11). I did not mean by this, however, that the Mises text supports a claim that he used some other welfare principle. My broader claim was that the text fails to support the claim that Mises used *any* welfare principle. Rothbard erred in thinking that the Misesian text had anything at all to do with welfare economics or ethics.

## 6. Conclusion

Surely, neither Rothbard nor Block misrepresented Mises's views deliberately. They simply disregarded Mises's discussion of ideologies (as described above) and Mises's discussion of welfare economics, as described in part 4 of this paper. There is a good explanation for Rothbard's error. His plan was to attract students to a natural rights ethical system, or welfare function, that he believed could be used not only to evaluate laissez faire but also every public policy. He advocated what amounts to an Austrian welfare economics. Quite correctly, he saw Mises's claim that a laissez faire system could be supported on the basis of value-free economics as an obstacle to fulfilling this plan. The explanation for Block's error appears to be twofold: (1) to defend his old Mises Institute colleague Rothbard and (2) to support his claim that Mises and Rothbard are twin giants of economics. Unfortunately for both, they misinterpreted Mises.

### References

- Arrow, Kenneth (1951). *Social Choice and Individual Values*. NY: John Wiley.
- Bergson, Abram (1938). "A Reformulation of Certain Aspects of Welfare Economics." *Quarterly Journal of Economics*. 52: 310-34.
- Block Walter (2005). "Value Freedom, Laissez Faire, Mises and Rothbard: A Comment on Gunning." *American Journal of Economics and Sociology*.
- de V. Graaff, J. (1957) *Theoretical Welfare Economics*. Cambridge University Press.
- Kirzner, Israel. (1976). "Philosophical and Ethical Implications of Austrian Economics." In E. Dolan, ed. *The Foundations of Modern Austrian Economics*. Kansas City: Sheed and Ward.
- Gunning, J. Patrick (1991). "Praxeology, Economics, and Ethical Philosophy." In Ebeling, Richard M., ed., *Austrian Economics: Perspectives on the Past and Prospects for the Future*. Hillsdale, MI: Hillsdale College Press.
- Gunning, J. Patrick. (2003) *Understanding Democracy: An Introduction to Public Choice*. Taipei, Taiwan: Nomad Press.
- Gunning, J. P. (2005). "How to Be a Value-Free Advocate of Laissez Faire: Ludwig von Mises's Solution." *American Journal of Economics and Sociology*.
- Pigou, A. C. (1938) *The Economics of Welfare*. London: Macmillan (4th edition). First edition published in 1920.
- Riker, William H. (1982). *Liberalism against Populism: A Confrontation Between the Theory of Democracy and the Theory of Social Choice*. San Francisco, CA: W. H. Freeman.
- Rizzo, Mario (1992). "Afterword: Austrian Economics for the Twenty-First Century." In Bruce J. Caldwell, and Peter Boehm eds., *Austrian Economics: Tensions and New Directions*. Boston: Kluwer Academic Publishers.
- Rothbard, Murray N. (1956). "Toward a Reconstruction of Utility and Welfare Economics." In Mary Sennholz (ed.) *On Freedom and Free Enterprise*. New Jersey: D. Van Nostrand. Reprinted in Rothbard (1997). *The Logic of Action I: Method Money, and the Austrian School*. Cheltenham, UK: Edward Elgar.
- Rothbard, Murray N. (1962). *Man, Economy, and State*. Menlo Park, CA: Institute for Human Studies.

Rothbard, Murray N. (1976). "Praxeology, Value Judgments, and Public Policy." In E. Dolan, ed. *The Foundations of Modern Austrian Economics*. Kansas City: Sheed and Ward.

Salerno, Joseph T. (1990). "Mises as Social Rationalist." *Review of Austrian Economics*. 4: 26-54.

Samuelson, Paul. (1947) *Foundations of Economic Analysis*. Cambridge: Harvard University Press.

von Mises, Ludwig (1981 [1922]). *Socialism, An Economic and Sociological Analysis*. 3rd revised edition. Indianapolis: Liberty Classics.

von Mises, Ludwig (1978 [1927]). *Liberalism*. Kansas City: Sheed, Andrews and McMeel.

von Mises, Ludwig (1988 [1940]). *Interventionism: An Economic Analysis*. Irvington-on-the-Hudson, NY: Foundation for Economic Education. Translated by Thomas Francis McManus and Heinrich Bund. Edited by Bettina Bien Greaves.

von Mises, Ludwig (1962). *The Free and Prosperous Commonwealth*. Princeton, NJ: D. Van Nostrand Company. Excerpts reprinted in Richard M. Ebeling, ed., (1991). *Austrian Economics: A Reader*. Hillsdale, MI: Hillsdale College Press.

von Mises, Ludwig. (1978). *Notes and Recollections*. South Holland, Ill: Libertarian Press.

von Mises, L. (1990) "The Role of Doctrines in Human History." In *Money, Method, and the Market Process: Essays by Ludwig von Mises*. Edited by Richard Ebeling. The Netherlands: Kluwer Academic Publishers.

White, Lawrence H. (1992). "Afterword: Appraising Austrian Economics: Contentions and Misdirections." In Bruce J. Caldwell and Peter Boehm, eds., *Austrian Economics: Tensions and New Directions*. Boston: Kluwer Academic Publishers.

Yeager, L. B. (2000). "The Moral Element in Mises' *Human Action*." In Richard B. Ebeling. *Champions of Freedom: Volume 27*. Hillsdale, MI: Hillsdale College Press.