Economic Thought Before Adam Smith (vol. I) and *Classical Economics* (vol. II)
Murray N. Rothbard
Aldershot, England and Brookfield, Vt.: Edward Elgar, 1995

On first seeing Murray Rothbard's two volumes, I regretted having agreed to review them, for they cover the history of thought only up to about 1870, when, in my view, economics begins to get really interesting. Actually reading them changed my mind. Rothbard—not just the libertarian guru but the joyful and indefatigable scholar—makes the thinkers even of reputedly dreary epochs come alive.

As he says, his history "is much longer than most since it insists on bringing in all the 'lesser' figures and their interactions as well as emphasizing the importance of their religious and social philosophies as well as their narrower strictly 'economic' views" (I, p. xiii). Lao Tzu (around sixth century B.C.), leader of "the world's first libertarians," receives respectful attention (I, pp. 23–26). So do the pre-Socratics, Xenophon, and, with much qualification, Aristotle, whereas Plato is classified as a "right-wing collectivist" (I, chap. 1). Even Amos Kendall gets credit for his subjective value theory and "the first expression of the law of diminishing marginal utility" in his Kentucky newspaper in 1820 (II, pp. 130–32). Rothbard regrets that Ricardo and his epigones did not read and understand Kendall's rejection of any objective standard of value.

Appropriately in volumes subtitled *An Austrian Perspective on the History of Economic Thought*, Rothbard grades earlier economists high or low according to how they anticipated subjectivist and marginalist achievements or obstructed intellectual progress. He writes smoothly and, especially in his appraisals, with touches of humor.

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His appraisals extend to earlier historians of thought. S. Leon Levy's biography of Nassau Senior is "chatty and uncomprehending" (II, p. 485). Samuel Hollander's "massive and bizarre project to transform all the classical economists into perfect little propounders of neoclassical, general equilibrium doctrine" suffered a "devastating and most welcome demolition" at the hands of T. W. Hutchison (II, p. 492).

Mostly, of course, Rothbard appraises the economists themselves. He lambastes David Ricardo's "abysmal writing, in style and organization" and goes on to quote Alexander Gray's similar judgment. "For all too many people," however, "obscurity and bad writing equal profundity." Obscurity has charms both for the great man and for the adepts who cluster around him (II, p. 103). With evident relish Rothbard quotes H. L. Mencken at length on the flatulent banalities of Thorstein Veblen's prose (II, p. 153).

Bishop Berkeley wrote *The Querist*, containing his major pronouncements on economic questions, "solely as a series of 900 loaded questions, by which [he] hoped to influence public opinion through sheer rhetoric without having to engage in reasoning" (I, pp. 331–32). "On his farm [J. C. L. Simonde de Sismondi] fought against overproduction in his own dotty way: making sure that production would be as low as possible by choosing the feeblest workers for employment on his farm, and deliberately having his house repaired by an incompetent worker" (II, p. 34).

"[Jeremy] Bentham functioned as the Great Man, scribbling chaotically on endless and prolix manuscripts elaborating on his projected reforms and law codes. . . . The affluent Bentham lived in a capacious house surrounded by flunkies and disciples, who copied revision after revision of his illegible prose to get ready for eventual publication. He conversed with his disciples in the same made-up jargon with which he peppered his writings" (II, p. 49). "[I]n 1804, Jeremy Bentham lost interest in economics, a fact for which we must be forever grateful. It is only unfortunate that this waning of zeal had not occurred a half-decade before" (II, p. 55). (Rothbard reinforces my own impression of Bentham as an unattractive person, illustrated by his obsession with his Panopticon project. I doubt, though, that Bentham's personality should automatically discredit all philosophical doctrines linked, however loosely, with his name.)

As for John Stuart Mill, "It is difficult to think of anyone in the history of thought who has been more egregiously and systematically overestimated" (II, p. 491). Despite Gertrude Himmelfarb's notion of two Mills, the (good) conservative moralist and the (bad) libertarian, Rothbard sees "only one Mill—multi-faceted, self-contradictory, kaleidic, devious, muddled and filiopietistic" (II, p. 493). "It is impossible to estimate how much of John Stuart Mill's inveterate and eternal contradictions, qualifications and alterations were due to honest muddle-headedness and how much to devious and evasive intellectual broken-field running" (II, p. 279). (While not challenging Rothbard's judgments on specific points, I'll confess to liking much in Mill's work, particularly parts of *Utilitarianism*, *On Liberty*, and *Considerations on Representative Government*. Mill was not as pervasively wrong or evil as, say, Karl Marx. A reader may as well get what he can from a serious writer. When one is trying to think one's own way through some topic by pulling together one's own and other people's ideas, the question of *overall* assessment of those people, however unfavorable, need not intrude.)

Rothbard crisply summarizes his judgments on a couple of Marxian concepts. "'Alienation', to Marx, bears no relation to the fashionable prattle of late twentieth century Marxoid intellectuals" (II, p. 349). Regarding the material dialectic, "It is difficult to state this position without rejecting it immediately as drivel" (II, p. 377).

As I have already suggested, Rothbard breaks away from the second-handism and parroting that characterizes much history of thought. He doubts the sainthood of Adam Smith (esp. I, chaps. 16 and 17). Smith slipped backward from David Hume's insights into monetary theory and balance-of-payments analysis. He dropped earlier contributions about subjective value, entrepreneurship, and emphasis on real-world markets and pricing and replaced it all "with a labor theory of value and a dominant focus on the unchanging long-run 'natural price' equilibrium, a world where entrepreneurship was assumed out of existence" (I, p. xi; cf. summary judgment at I, p. 501). He mixed up Calvinism with economics, as in supporting usury prohibition and distinguishing between productive and unproductive occupations. He lapsed from the laissez faire of several eighteenth-century French and Italian economists, introducing many waffles and qualifications. His work was unsystematic and plagued by contradictions. He came close to plagiarism while accusing others of it. Rothbard credits Paul Douglas for a relatively clear-eyed assessment at a University of Chicago commemoration of the 150th anniversary of *The Wealth of Nations*. He also cites Joseph Schumpeter's dissent from the conventional admiration of Smith.

David Ricardo also fares badly at Rothbard's (and Schumpeter's) hands (II, chaps. 3 and 4). Ricardo dealt more in aggregates and in supposed long-run equilibria and other abstractions than in realities; he did not fully understand the principle of comparative advantage, which was less his own idea, anyway, than James Mill's; he was less interested in what fosters and what impedes the creation of wealth than in its distribution among broad social classes; he clung to a cost theory and indeed mostly a labor theory of value; he gave ammunition to Marx.

Reading Rothbard makes me more willing than before to confess my own judgments (derived from reading *The Wealth of Nations* and *The Principles of Economics and Taxation* longer ago than I care to admit) that Smith and Ricardo are downright tedious, especially taken in large doses.

Rothbard's adverse assessments are perhaps more fun to read and quote than the reverse, but I must not leave the impression that he gives out little praise. His heroes include several of the scholastics who flourished from the thirteenth century into the seventeenth century, including members of the Spanish School of Salamanca. They had insights into subjective-value theory and understood the "just price" as the competitive market price rather than as a theological concept. Richard Cantillon was "the founding father of modern economics," writing the first systematic treatise. A. R. J. Turgot made brilliant contributions in several areas, even though his writings on economics add up to fewer than 200 pages. J. B. Say had sound insights into value theory, macroeconomics, the role of the entrepreneur, the rationale of *laissez faire*, and methodology. Nineteenth-century debates on money and banking were instructive.

Anyone writing history, including intellectual history, must focus attention selectively. Rothbard's own preferences come across, but without unpleasant obtrusiveness. While not trumpeting it, he exudes an evident sympathy for workers, peasants, and the poor; he is no apologist for the rich and powerful. Repeatedly if briefly he shows sympathy with doctrines of natural law and natural rights and, more broadly (and regrettably, in my own view), with some sort of anti-utilitarian ethics. He takes a Lockean position on the origins of legitimate property rights, correctly noting that a labor theory of property is not at all the same as a labor theory of value (I, pp. 56–58).

Rather to my surprise, he manages to find several predecessors for his own advocacy of 100-percent-reserve money (II, 210–16, chap. 14, and *passim*).

On a few points, Rothbard seems to have changed his mind, or his rhetoric. He does not insist as emphatically as before on a purely subjective theory of value and a pure-time-preference theory of interest. He explains that degrees of scarcity interact with subjective appraisals to determine marginal valuations and that objective factors help determine degrees of scarcity. In interest theory he illuminates the interaction of subjective time preference with the greater productivity of well-chosen roundabout methods of production (II, pp. 22–24, 139, 141); and he has words of praise for Böhm-Bawerk, who recognized this interaction of subjective and productivity factors.

In contrast with his own *America's Great Depression* (esp. chap. 4), where he used an imaginatively broadened definition of the money supply to discuss monetary inflation in the 1920s, Rothbard now reverts to the narrow medium-of-exchange definition (II, pp. 164, 183, 251). In scattered remarks on business-cycle theory, he retains a monetary interpretation without always insisting on the specific "Austrian" scenario of Mises and the early Hayek.

Rothbard no longer endorses Hans-Hermann Hoppe's claim to derive libertarian policy positions purely from the circumstances of discussion itself, without any appeal to value judgments (cf. *Liberty*, September and November 1988). On the contrary, and as he had done earlier, Rothbard now correctly observes that policy recommendations and decisions presuppose value judgments as well as positive analysis (II, p. 119 and *passim*).

In welcome contrast with familiar Austrian maundering about methodology, Rothbard makes sensible remarks, smoothly working them into his appraisals of earlier writers. Nassau Senior gets good marks. Bad ones go to Sir William Petty, the supposed father of econometrics, and to David Ricardo and John Stuart Mill. Readers should not be misled by Ludwig von Mises's unusual use of the words *a priori* in characterizing economic theory. Economics deduces its theorems from axioms, axioms of such pervasive validity and crushing obviousness that we can scarcely imagine persons, societies, and worlds of which they were not true. (For example, resources are scarce relative to almost unlimited wants; choices must be made; and people act purposefully, taking account of the expected consequences of alternative courses of action. Besides scattered passages in these two volumes, see Rothbard's article in the *Southern Economic Journal*, January 1957).

If I had an opportunity to do so—which, sadly, none of us ever will—I would quibble with Rothbard on several points. He describes the function of the landlord as that of deciding or administering the allocation of pieces of land among rival uses (II, p. 91). This view seems too narrow to explain the huge rents that some landlords collect; it requires integration with capital and interest theory. As a capitalist, the landlord collects something closely akin to interest for waiting, meaning the tying up over time of wealth that might otherwise have been used to bid resources into serving his consumption or other near-term purposes. At least potentially, furthermore, the landlord organizes the provision of spatially confined civic goods, often called public goods (Fred Foldvary, *Public Goods and Private Communities* [Aldershot, England and Brookfield, Vt.: Edward Elgar, 1994]). I'd like to discuss Rothbard's evident complacency about monetary deflation (e.g., II, p. 174) and his attacks on utilitarianism (esp. II, chap. 2).

I am approaching a conclusion. Rothbard's riding his hobbies contributes to the charm of his work. Although not evidently religious himself, he took interest in religion as a social phenomenon and as an influence on thinking about secular matters. He may occasionally have been carried away, as in devoting a dozen or so pages to the Anabaptists of the sixteenth century. Yet even this digression is not entirely irrelevant to the emergence of economic ideas—the Anabaptists were early communists—and it and similar digressions do help make his history eminently readable.

No one surveying so many thinkers in such detail as Rothbard does could have read every word of their every major work. Reliance on secondary sources was inevitable. Rothbard is frank and generous in recognizing the scholarship of their authors, including ones who did not share his political views. He often cites Joseph Schumpeter, Emil Kauder, Alexander Gray, Marjorie Grice-Hutchinson, John T. Noonan, and F. A. Hayek (whom he treats respectfully, although not without plausible criticism on specific points, as at I, p. 527). I was delighted to see recognition given to his and my Columbia professor Joseph Dorfman and to my Oberlin professor Raymond de Roover. In using secondary sources, Rothbard does not merely pluck from them; he assesses them, as is important for identifying understandings and misunderstandings about the history of the discipline.

The degree of documentation given for specific statements varies among sections of the two volumes. Even an occasional direct quotation goes without citation. Trivial lapses like these, coupled with my own merely amateur knowledge of Rothbard's subject matter, keep me from authoritatively vouching for the accuracy of his every statement.

Rothbard's work helps underline why economists should study the history of thought. The Whig theory of history as applied to science is wrong—the standard "complacent and infuriating Panglossian optimism" that forgets the real possibility of deterioration. Rothbard shares Thomas Kuhn's "less than starry-eyed view of science," yet without adopting Kuhn's "nihilistic philosophic outlook." Especially in economics, "[t]here can . . . be no presumption whatever . . . that later thought is better than earlier" (I, Introduction).

Although not using the term "frontiersmanship," Rothbard is aware of the phenomenon—the self-congratulatory attitude of workers on the supposed frontiers of economic science who scorn attention to work of earlier generations as mere antiquarianism on the ground that anything worth knowing is already incorporated into their discipline's current wisdom. Unlike the frontiersmen, Rothbard knows that earlier progress can get forgotten. So can earlier fallacies, which keep getting independently rediscovered and commanding attention. Examples are versions of the real-bills doctrine blaming balance-of-payments deficits for the depreciation on the foreign-exchange market of currencies undergoing inflation.

Less so in economics than in the natural sciences do valid discoveries get embodied not only into pure knowledge but also into technology, many of whose users have a profit-and-loss incentive to get things straight. That incentive is notoriously perverted or weak for politicians and special-interest lobbyists. In economics, therefore, we need scholars who specialize in keeping us alert to old contributions—and old fallacies—masquerading as new truths. Specialists in economic thought should also be alert to the danger of an approach that stresses the work of a few great men and strives mightily to interpret their writings as justifying admiration traditionally accorded them. The resulting intellectual atmosphere may well contribute to robbing Rothbard's lesser figures (like Kendall of Kentucky) of the attention that their not-yet-fashionable ideas merited.

Rothbard occasionally (e.g., II, p. 456) mentions economists to be covered or points to be developed in a "later volume" of his mammoth project. These promises have now become poignant. Anyway, Rothbard's work will suggest research topics and provide inspiration for rising generations of Austrian economists.

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