

**Menger and Böhm-Bawerk**

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Transcribed and Donated – Thomas Topp

**Rothbard:**

—got the Austrian family tree up there. The founder of Austrian economics is Karl Menger, 1840–1921. The generally accepted position on the Austrian school was that, of course, Menger was the founder. Eugen von Böhm-Bawerk was the most important student. Friedrich von Wieser—I'm putting him to the side, was the brother-in-law of von Böhm-Bawerk—contributed a little bit, but not a great deal. Then, Mises, of course, was the great successor to Böhm-Bawerk.

The story has been sort of changed and revised in recent years. Revisionism can either be good or bad; it's never indifferent. You're either correcting the historical errors of the past, or else you're adding errors to the previously accepted truth.

What's been happening recently—I'll get back to this in a minute. What's been happening in the last ten years or so is an explosion of the Menger study—which is good, it's great stuff. One thing Menger didn't like very much—he wrote his great *Principles of Economics* in 1871. It was supposed to be volume one of a mighty [unintelligible], the rest of which never got published.

By the way, just as an aside, scholars don't write books entitled part one or volume one, because often the other parts never get written. This is what happened to Menger. He never completed this. It was supposed to be an introductory volume, then he got off on methodology—his famous methodological struggle with Schmoller and his famous argument on the origin of money. That's just about it, with a couple of other things, but basically he didn't make too much more than that.

With the explosion of Menger studies, there's been a whole series of essays on Menger. There will be more of that coming up, fortunately, because what happened was all of his lectures and papers and all that have been apparently in the custody of some Carl Menger, Jr., a

distinguished mathematician at the University of Chicago, who refused to allow anybody to see them.

This was, of course, a mystery in itself. Why did he refuse to do this? Tied up, by the way, with the mystery of why Menger retired, in 1903, from his chair and didn't do anything after that. He sort of retired and had his famous library, and that's about it. At any rate, the story is—this might be a [unintelligible]. This is, I realize, a reporting rumor here, but it's interesting anyway.

The story is that Carl Menger, Jr., was haunted for all of his life by the fact that he was apparently an illegitimate son of the Carl Menger, Carl Menger, Sr., by a housekeeper. In those days, of course, in the Victorian Vienna, if I use that statement, this was a real shock and whatever. It was swept under the rug. Apparently, one of the reasons perhaps why Menger retired from his chair early in his life, or earlier than he had to, was because of this potential disgrace.

Anyway, Carl Menger, Jr., therefore refused to allow the papers—he still, at the age of 90, whenever he died, still felt this terrible, stinging illegitimacy. Apparently, it was impossible to tell him that these days things are different. So, he died a couple of years ago, and now the papers are at Duke University and in the process of being catalogued by the scholars.

So, we'll know more about Menger's ideas and where he stood on various things as time goes on. So, whatever I say about Menger's going to be fairly tentative.

One of the problems with the explosion of the interest in Menger is it's also an ideological drift connected with this, this hidden agenda in the accolades given to Menger, namely, a big depreciation or deprecation of Böhm-Bawerk. As Menger had been lauded as the great founder of the

Austrian school, which he was, indeed, the achievements of Böhm-Bawerk have either been denigrated or forgotten and sort of stuffed away.

This is part of what I call a nihilist trend in the modern Austrian movement. It's also sort of an attempt to claim that Menger and Böhm-Bawerk were totally different, disagreed almost over everything and so forth and so on. I don't think that's true. I'm not prepared to state one way or the other. As I said, for one thing, the Menger papers have not been [in court] yet or studied. I think this is an artificial...

The romantic story—and this is a true romantic story—is that Menger published his work in 1871. That was a dramatic, revolutionary trend in the German scene, German speaking scene, in general. Two young economists in their 20s, Wieser and Böhm-Bawerk, who were brothers-in-law—I'm not sure when they became brothers-in-law, but fairly early in the game—became Menger's great disciples. Both eventually taught at the University of Vienna, after many years of teaching at other places.

They came to disagree fairly sharply. Wieser was certainly a praxologist. He wrote a methodology—in a sense, nothing more than Böhm-Bawerk did, but his basic view—and he also contributed a [unintelligible] theory and certainly opportunity cost theory. Basically, the whole drift of his approach, I think, was much more pre-neoclassical or pre-Keynesian.

He did not believe, for example, in time structure of capital, as Böhm-Bawerk and Menger did. At any rate, the two of them—Mises told me one time in a seminar—were brothers-in-law, very close friends, and they never discussed economics. Once they got to the point where they disagreed on stuff, they just never talked about it. They talked about the weather or what's going on in Vienna, the opera and stuff like that.

They confined their arguments to the written page, where they lashed out at each other in a polite, but devastating, manner. I think that's kind of a charming solution to the family question. Certainly, both of them start of themselves as Mengerian disciples. As fulfilling as standing on the shoulders of Menger, they sort of drifted off in the methodology and not doing much.

One of the interesting things about Menger, which, by the way, I just found out fairly recently, is he was the tutor of Crown Prince Rudolf, the successor to the Austrian-Hungarian throne. Sort of did with him apparently what Archbishop [Fenningwall] did with the Duke of Burgundy, back in late 17<sup>th</sup> century, early 18<sup>th</sup> century France.

One of the problems here—I'm not sure what Menger's political or economic views were because, to me, it's unclear. Mary Smith published an article on Menger's political economy. The Mary Smith book was an excellent compendium. It's called *Western Economics*, a series of essays really on Austrian philosophy underlying Austrian economics.

Anyway, there's an essay there on Menger's political philosophy, which sounds pretty grim. It's sort of very conservative, semi-status Austrian whatever. The great Erich Streissler, on the other hand—I met with him a couple weeks ago in Austria—he claims that it's clear Menger's lectures—his unpublished works, he was really a hardcore laissez-faire person. If I leave that up, I have no way to resolve this yet. At any rate, those are two views about Menger.

Apparently, Menger tutored Crown Prince Rudolf in laissez-faire doctrine. Crown Prince Rudolf was the successor to the Austrian throne. The idea was he would then take over and propose classical liberalism and laissez-faire liberalism from above, so to speak.

I mentioned [unintelligible] because that was his plan of how to bring laissez-faire economics and politics to France. Here they were, living in the absolutism of Louis XIV. It was sort of the epitome and apogee of absolutism and [unintelligible] and all the rest of it. Here's Archbishop Fenningwall, who's a laissez-faire, anti-war, anti-military and all the rest of it.

What do you do about it? How do you convert a king? The idea of building a mass movement was considered kind of bizarre. I don't think it was considered thinkable in late 17<sup>th</sup> century France. The previous mass movements had been wiped out by the French monarchy.

What Archbishop Fenningwall decided to do was get a hold of a crown prince—the [unintelligible] was going to be the [unintelligible]. The grandson of Louis XIV was supposed to take over the throne of France. He was the Duke of Burgundy.

Archbishop Fenningwall became the confessor and the tutor of the Duke of Burgundy, and he formed what was called "the Burgundy Circle," a whole group of people at the court who were the top laissez-faire scholars, historians, political philosophers and economists in France and worked on the duke and converted him. By the time he grew up, he was totally dedicated to laissez-faire—eliminating the taxes, the controls and all the rest of it, the whole structure of totalitarian statism that Louis XIV had imposed.

Well, unfortunately, what happened was about a year before he would've taken over the throne, he and his entire family were wiped out in the measles epidemic. The whole plan—a 25-year plan of converting the French monarchy—dust. Fenningwall was, of course, in despair at this. I don't blame him. Now, that's one of the problems with this kind of

strategy. If you rely on converting one prince or something, what do you do if the prince corks off?

Essentially, the same thing happened, apparently, with Menger and Crown Prince Rudolf. There was also some [Mayerling] revisionism. Those of you who are interested in historical revisionism, there's a whole area. Since, again, I don't really know German and there's been very little written on this in English.

But apparently, there's a whole... Of course, the orthodox view, as you all know from the Charles [Boye] picture or whatever, or later movies with the Archduke Rudolf committed suicide and killed his lover and whatever. That was 1889. There's other, much more interesting, revisionist views, one of which that he committed suicide because laissez-faire was losing out or whatever or coming more in Europe.

The other one, a much more interesting one, which [Leland Jager], by the way, is convinced of, is that he was murdered by the statist in the Austrian court who didn't want him to take over. [Believe that] whether you prefer the research or the non-presuming Mayerling revisionism.

Apparently, one of the reasons why Menger sort of [unintelligible] for some scholarship and didn't do much in his later, last 20–30 years of his life, is because of the death of Crown Prince Rudolf, the end of the Rudolf experiment, so to speak.

To set the stage of the revolution Menger effected and the [unintelligible] Menger and von Böhm-Bawerk, the Austrian revolution, is that he was reacting against the historical school, which was dominant in German-speaking countries, headed by Gustav Schmoller, who believed there were no economic laws, partly because he was interested in building up the state power in Prussia and the rest of Germany. It was inconvenient

to have any economic laws out there which might contradict or confound government degrees and actions.

As a matter of fact, the famous phrase of Schmoller, which Mises liked to mention from time to time, is that the function of the University of Berlin—which, of course, the creation of the Prussian state—the function of the professor of the University of Berlin is the intellectual bodyguard of the [unintelligible]. That was the dynastic Prussian monarchy.

When Menger's *Principles of Economics* was published, it was greeted with hatred, bitter derision and hatred by the Schmollerites of Vienna, that organized a contrary campaign against it. Then Menger got up in the mythological conflict, explaining why there is such a thing as economic law, and why it's just not just historical bound and all the rest of it.

What Menger did was really revive the continental traditions, Galactian economic condition in the tradition of [unintelligible] in 18<sup>th</sup> century France. In the tradition, of course, of subjective value theory, of individual action, praxiologic work, focus on individual action and individual expectations, and acting through time. The fact, of course, that consumers valuing the good determine the price of the good, and mostly determine the value of the factors of production.

So, the basic outlines of Austrian doctrine were any of Menger's principles that weren't fully worked out, but they were sort of in there. They were essentially a revival in the development of the scholastic medieval and late Spanish scholastic and 18<sup>th</sup> century French tradition.

But there was, as I say, the fight in Germany. German-speaking countries, there was the fight with the Schmollerites. In England, of course, there was classical economics, classical economics which the



Austrians never really grappled with too much, because they were much more concerned with grappling with Schmoller.

That's kind of a sweet thing that happened with [being] in the seminar. One time, we really had an argument. It was a very friendly argument. We were arguing about one of my major deviations from Mises, which is on monopoly theory. I was claiming there was no such thing as monopoly on the free market.

The discussion ended when he accused me of being a Schmollerite. The interesting thing is that nobody else in the room, I think, understood what he was talking about and understood this was the ultimate insult an Austrian could level at a critic. The Austrians never really came to grapple with the English classical tradition or understood where they stood in relation to it.

After all, England was far away. They were fighting with the German situation. My vision of the history of economic thought is the great "me" tour, the great diversion from the main line of scholastic French tradition. The scholastic French tradition was a classic [dashed] French tradition, continental tradition was much subjective value theory. It was basically what I call pre-Austrian. I realize it is anachronistic to say it, but that's really what it was.

With Adam Smith, and with especially Ricardo, we have—in the middle James and John Stuart. We have a tremendous shift toward a new kind of theory, a theory which still plagues us, of course, to the present day, namely that the real determinant of value, of prices, values and prices of good, is not consumer subjective utility, but objective labor pain, labor toil—whatever you want to call it.

This was established basically Smith and Ricardo. It then fell out of favor in England and was restored by John Stuart Mill, in a tremendous of

filiopietism, paying his great debt to his father and by sheer intellectual bravura and the fact that he had tremendous stature in England at that time. [Unintelligible] again restored Ricardianism to its unfortunate place in the history of thought.

So, when Menger created kind of the Austrian theory, the standard discussion since then of marginalism—until very, very recently, of course, the standard of discussion of history of thought folks was, well, marginalism popped up independently in three countries: Menger in Austria, Jevons in England, and Walras in Switzerland. They were all basically the same.

The basic view and history of thought, as I said, until very recently was, well, they're all about the same, Menger, Jevons and Walras, except that Menger didn't know math. Menger was good in theory, but he didn't understand mathematics. Therefore, you should concentrate on Jevons and Walras. Of course, Walras is being taken over with modern microeconomics.

You read, for example, one of the most repellent and odious works written on Böhm-Bawerk by George Stigler, his PhD dissertation called *Production and Distribution of Theories*. He has a chapter on Menger and a chapter on Böhm-Bawerk. He didn't like Menger, but he hated Böhm-Bawerk. All bad people hate Böhm-Bawerk.

What he said about Böhm-Bawerk, "Well, he didn't understand mathematics," basically that's it. Both Menger and Böhm-Bawerk were trained in mathematics. They understood it all too well, which was why they rejected it. This, of course, the idea of knowing mathematics and rejecting its application of economics does not even occur to the mathematical economists. It's just outside their ken, the unthinkable thought.

Then, what happens—Austrian economics, even though this was the official view, so to speak, Austrian economics was extremely influential in the United States with Fetter—Fetter was a very important Austrian—Davenport, Greene. These were important Austrians who ignored the British classical tradition or attacked it.

Unfortunately, what happened in the United States was in World War I something snapped in American academic economics and theory drops out; institutionalists take over, except for a few people here and there, Fischer and Knight, who were [pre-modernist] types. Fetter lost interest in economic theory more or less and got hung up on monopoly, which he spent the rest of his life on.

So, unfortunately, this left a vacuum and institutionalism poured in—the American, a dumb-dumb variant of the Schmoller historical school. Historical school people have no knowledge of history or social science or anything. These are the guys who kind of took over economics and left a theoretic vacuum in American economics.

This meant that in England—which, of course, was the revered home of economics supposedly. What happened in England was that the Austrian contribution—in this case, Jevons and—was very cleverly and cunningly trivialized by Alfred Marshall, his mighty work *The Principles of Economics*, and disposed of it that way, by trivializing it. From then on, Austrian school was not considered, not even mentioned or thought of by English economists, by Cambridge economists or by anybody else in English tradition.

When I grew up, I cut my eye teeth on Marshall. We had a very interesting college seminar, a senior seminar. We spent the entire year on Marshall, going through every chapter. It was very interesting. I'd

recommend it if you had nothing else to read. It's certainly better than Cain's.

It was very interesting because that was considered economics. What he did was marginal utility theory is he trivialized and said it's interesting. It fills a gap in the Ricardian program, because Ricardo really didn't consider consumers. It sort of explains consumer demand and finish it off.

Because, as most of you know, the famous Marshallian scissors, every price is determined partly by demand, thus the demand blade and the supply blade or the cost blade. Of course, the really important thing is the cost blade, because that's the long run, the real gutsy thing, the equilibrium thing, whereas consumers are sort of, yuck. They're creatures of caprice and whim. They change their minds all the time.

So, the really important thing about economics is the cost. The real important thing about cost, of course, is labor pain. We're back to Ricardo and Marx and all the rest of it. It was a very clever device that he used. You can't say he ignored marginal utility; he just trivialized it. It got capsulated in a couple of appendices, or whatever, and that was it.

I remember when I was taking History of Thought of Columbia, in those days, the Columbia Graduate School was a very tough department, no question about it. It had not fallen to its present sorry state. It was ranked among the top three graduate schools. My professor was J.M. Clark, a revered figure. I asked him, I said, "Well, I didn't know anything about Austrian."

I asked him about Jevons. I knew Jevons was someone important. "Oh, you don't have to read Jevons," he said. "We'll incorporate it with Marshall." I'm sure if I had known about Austrians, he would've said the

same thing about that. So, that sort of shoves everything aside. Marshall then takes care of everything else.

This was before the Keynesian takeover. This was the Marshallian takeover. Of course, the Keynesian takeover is really part of that. In a larger sense, Cain was Marshall's student.

To sum up Menger very quickly on what did he contribute, again, he essentially brought back or developed a scholastic tradition, the praxiological method of focus on individual action, entrepreneurship. All this comes in, of course. Time, structure of production, focus on individual, the fact that the expected values of the consumers determine the value of the factors of production that entrepreneurs are willing to invest in.

The whole Austrian framework—if you read Menger, you know you're reading an Austrian book that reads differently. Austrian books read differently, look differently, smell different than the old, classical books. One thing, there's no math in them, or very little. They're clear, they're logical, they proceed step by step. There's no sort of sudden flights of abstract fancy not grounded in actual individual action.

But what about Böhm-Bawerk? What Böhm-Bawerk did was he developed this outline, which Menger contributed, and particularly developed a value theory, developed the value of price theory, very important, his famous marginal pairs, the horses—you know about the horses, the first horse and the second horse and all that—developed the diminishing marginal utility brilliantly, and of course, developed the entire capital interest theory—[unintelligible] capital interest theory from neglect.

And, as I said, always consider the Böhm-Bawerk was the main line, main [unintelligible]. It's only in the last ten years or so when Böhm-

Bawerk's been deprecated [unintelligible] and other people who say, no, no, Böhm-Bawerk was an evil Ricardian. Menger was the only true Austrian. I think it's a current fancy which has been developed. I don't think anybody before that ever thought that, including Menger or Böhm-Bawerk.

Their attempt—Erich Streissler, for example, attempted to say, no, no, there are tremendous differences between Menger and Böhm-Bawerk. Menger, for example, when he retired as chair in Vienna, conferred the chair upon—only one person can hold the chair at one time. He conferred it upon Wieser. Presumably, he liked Wieser better. That still doesn't really establish much.

He said various things like he didn't like Böhm-Bawerk's capital theory, a terrible mistake. So, what does that mean? The Streissler view is that—he's written several articles on this—well, he said that it means that he didn't believe there was such a thing as... He believed in time preference. We know that. We know Menger said that time preference was important.

But [unintelligible] didn't believe that time preference was reflected in the rate of interest. There was no rate of interest. It was too much equilibrating thing. Only 2,000 rates of interest around, there's no one rates of interest, there's no tendency toward it.

Well, that's possible. I don't believe it. Matter of fact, I don't believe it. I don't think Menger rejected equilibration. [Kersner], in a very interesting article in *The Atlantic Economic Journal* about eight years ago or so, they had a whole issue on Menger. It was a typical Kersner article, very subtle. He's one of the most understated economists I've ever read. You have to read him with great care. It's pretty obvious that he's

refuting this idea that there's a big split between Menger and Böhm-Bawerk, and that they're really fairly similar.

If you look at Böhm-Bawerk himself, what does he say about Menger? He doesn't say that Menger doesn't believe in a rate of interest. He says that Menger believes in a rate of interest, but it's incorrect. By the way, I recommended Böhm-Bawerk highly. I love reading Böhm-Bawerk. He's probably the great Columbus of the history of economic thought.

He sits down with different economists and very patiently, paragraph by paragraph, page by page, demolishes them in a very polite manner. What he does with Menger, he's very respectful of Menger. Menger's a great guy, etc., etc., great insights. However, unfortunately, he's got a very incorrect theory of interest.

His theory of interest was the so-called [Menger] theory that somehow—and he explains it the usual brilliant and lucid manner—that Menger somehow believed that when you buy capital goods, when you buy factors of production, you pay a price for them [unintelligible], but you're also doing something else. You're also paying an extra surplus for the use of the factors of production.

Böhm-Bawerk very carefully, page after page, says there's no difference between the use of something and the thing itself. When you buy something, you buy the uses of it. That's the whole point. When you buy a machine, you buy the uses of the machine. There's no extra use payment, in addition to the payment of the machine.

Very beautifully and lucidly and carefully, he demolishes Menger. Obviously, Menger doesn't like to be demolished. There are very few people in the history of social thought who love being demolished. There might one or two here and there, but I don't know of them. I think that's

it. I don't think the argument was over equilibration; I think the argument was over use theory.

Böhm-Bawerk, of course, brings in the time preference theory of interest. Somebody asked Roger, "Why did Böhm-Bawerk reintroduce it?" I really don't know that. That's a famous puzzle in the history of thought. Böhm-Bawerk's volume one, *Capital Interest*, is a total demolition of the productivity theory.

My only quarrel with Böhm-Bawerk, he's a little unfair. He's unfair to [unintelligible]. There's no question about that. What he does is his strategy was—here he is running the definitive interest theory, capital interest theory. You start off by smashing everybody before you, it's kind of loveable. On the other hand, once in a while you're unfair to people, because [Torgar] really had the whole Austrian theory encapsulated.

Know that Böhm-Bawerk, as much as I revere Böhm-Bawerk and love him, unfortunately we know that he lied about Torgar, because we know that there's an unpublished manuscript of Böhm-Bawerk's, written about eight years before his book came out, in the seminar of [Karl Kleiss] on Torgar's theory of interest.

He hails Torgar's theory of interest as great and wonderful, and so forth and so on. When he gets eight years later to publish the book, he dismisses it at nonsense. So, something happened there, something in the eight years. I think it just didn't fit his strategy, so to speak.

Anyway, this unpublished work, I'd love to see translated and published someday. It's in the possession of F.A. Hayek. Böhm-Bawerk's widow gave it to young Hayek in 1919 or something, and it's still somewhere in Hayek's repository. That's something that's another research project for you.



So, Böhm-Bawerk then establishes the time preference theory and beautifully demolishes there's no extra surplus. There's a difference between the productivity of capital goods. There's a reason why there's a price on capital goods, the interest payment, the time [unintelligible]. For some strange, crazy reason, in his volume two, he brings it back. Not only does he bring back productivity, but he makes it the most important element, so it's a total contradiction between his volume one and volumes two and three.

Frank Fetter's contribution was to demolish Böhm-Bawerk out of turn, saying, "This doesn't work," and to establish the so-called pure time preference. The reason why we call it "pure" is because there's been all these add mixtures, impure add mixtures of productivity theory and all sorts of other stuff. I'll try to distill the purity, pure causal factor.

A couple of famous problems with Böhm-Bawerk, alleged problems... Again, I think the reason why Böhm-Bawerk has been particularly attacked by the nihilist forces in modern Austrian economics is because it's obviously clear, it's obviously equilibrating, it's obviously part of a great economic tradition.

It's also what Mises built his theory on, Mises' elaboration of Böhm-Bawerk and an implication to money, theory of money. If you eliminate Böhm-Bawerk, you also implicitly eliminate Mises, sort of cut the ground out from under Mises, a strategic ploy on the part of the nihilist forces. The thing about the nihilists, if they don't like Mises, they don't like Böhm-Bawerk, who are they going to like? They call themselves Austrian. Menger is the only one left, and he's far enough in the past to sort of be safe, I suppose.

On alleged problem with Böhm-Bawerk always comes up, so I'm going to talk about that. Why is it that an increase saving and investment always

[likenes] the structure of production? Why is it always a more roundabout production process? Why can't it be in a short production process?

The answer is very simple. I like to have a little grid here, a two-by-two grid. This, of course, is simplifying the picture, but I think you'll see the story here. You have production processes, less productive and more productive. In reality, of course, there's a whole spectrum of productivity. I'm making it a two-by-two grid here.

Here, we have shorter—in other words, coming early—and longer. Well, if a process is very short, if it takes five minutes, and very productive, it's going to be used already. It's not a problem. It's like manna dropping from heaven, or the shmoo, if you remember the early AI Capp. The shmoo is infinitely productive. It can be used for anything. Obviously, you're going to snap it up. It's already going to be used. That is no longer a part of human action. Whatever is there has already been used up.

On the other hand, if a process is very long and produces almost nothing, it's not going to be used at all. Only morons would use it. In other words, if it takes you 50 years to produce one widget, you're not going to do it, if you have any brains at all.

So, this is out of the picture, too. So, you toss out the long, unproductive processes and the short, very productive processes. You're left with two things. You're left with short, less productive processes versus longer and more productive.

So, when you save and invest, you decide when you're going to give up early consumption up for longer and more productive process. That's why more saving and investment is always a longer process than production. It's very simple if you look at this grid work. Of course, he's

got the time structure of production, a wonderful analysis of capital and interest.

Another thing I should say about Menger and Böhm-Bawerk and the [media] they were involved in, it's not an accident. I think [Cauter] was the first one to analyze this and point this out. I think he's actually on the ball. It's no accident that the value climate, the epistemological value and value climate in Austria are completely different than it was in Germany and Britain—namely, in short, Austria was Catholic and always had been Catholic, whereas northern Germany was Protestant, and England of course was Protestant. What this meant in epistemological and value terms is that in Austria they still continue to read Aristotle in the high schools until very late.

Certainly, by the time Menger and Böhm-Bawerk were growing up, and they were steeped in natural law and natural rights and Aristotelian epistemology in general. Northern Germany and England and Britain were influenced by Calvinism and Protestant Evangelicalism, which tossed out the so-called scholastic method.

And in addition to that, and of course Aristotle is not read, Hegel of course was Protestant or some form of Protestant. So we have the Austrians steeped in a very different tradition, religious and philosophical tradition than either the Germans or the British. And the new book by Barry Smith, the very interesting thing about that is he points his, the best article there is the one by Smith himself on the philosophical climate of Austrian economics. He points out not just that they're reading Aristotle, but the big philosopher of Austria was Franz Brentano, who was an Aristotelian realist, the guy, read all the time, all over the place in Austria, and also points that Menger's principles, he has paragraphs on Menger and paragraphs on Brentano showing almost identical in their basic epistemology—their view of natural law, their view of essences of

things, the so-called exact law of essences, of action, the connected cause and effect.

All these things very close to Brentano. They knew each other, by the way, they interacted a lot. Their value theories are quite similar too. The subject of value theory in Brentano was quite similar to that of Menger. So the interaction between Menger and Böhm-Bawerk people on the one hand the Brentano people on the other...

In Britain you had even worse situation from my point of view, you have Calvinism rampant, which was dominant in Adam Smith. I don't think it's an accident that Adam Smith tossed out short-run consumer value. He knew about subjective utility because, and the subject of value theory, because Turgo, he knew Turgo, was a friend of his and he read this stuff. But Smith, being a Calvinist, could not believe that you could rely on, consumers could have any dominance at all.

Consumers were fickle and they spent a lot, and they believed in luxury expenditures, they're obviously sinful anyway. The real core determinant was thrift and industry, hard work and thrift. So we have in Smith a bias towards thrift, a desire to tax consumption heavily, for example, and to stimulate, to have usury laws to channel saving into so-called productive investment.

And also, the emphasis of course on labor pain as a real basis of value, it's true that Ricardo was not Calvinist, but James Mill, who was Ricardo's control—that's a strong term, but I think more and more believe that James Mill was the real heart of Ricardianism. James Mill was a Scottish Calvinist and imbibed the whole doctrine of [unintelligible] and continued it.

John Stuart Mill, of course, was his father, a very peculiar relationship with his father, and the only place where Freudianism might have some

kind of truth value, I think. The Mill father-son relationship, a very weird situation. Anyway, John Stuart Mill reestablishing this whole doctrine. And with Marshall, interestingly enough, you read Marshall as Calvinist moralism constantly throughout—here he is, allegedly value-free scientist talking about demand curves and all that, but he's constantly shoving in stuff about the importance of thrift and all that sort of stuff.

There's a sort of neo-Calvinism redolent throughout the book. And I don't think it's an accident that then the people who are neo-Calvinist types don't like to talk about consumers, because consumers are fickle and they spend and they're luxurious and they're sinful anyway, whereas pain and hard work and thrift is really good stuff.

I don't know of any labor theory of value person who's not brought up in the British tradition. Marx of course economically was Ricardian. I think Böhm-Bawerk, despite his peccadilloes and bringing back productivity, is a key person in the development of the theory of capital and interest. I recommend reading him, I think he's great.

The slow, patient [demolition] of the enemy, magnificent. As promised, a reference to Marx in this thing: Maybe I should've recommended some more of his readings, like Barry Smith, etc. I've just gotten finished with dealing with Marx in my own work, so I just want to inflict the pain on other people.

The interesting thing about Böhm-Bawerk's reputation with Marx, which of course a famous refutation. In his review, he [unintelligible], he sort of had the basis of it in his theory of capital and interest, but after Marx's long theory of capital came out, was put out by Engels, Böhm-Bawerk does the ultimate demolition of it.

He was generally accepted by economists of the day. You're right. Really until this day, Marxists as economists are very weak on labor

theory of value. They're not labor value theorists. Even Joan Robinson and people like that. Of course, we know, labor theory is ridiculous, but somehow there's exploitation anyway.

But that's really of course the guts of the economic aspect of Marxism, as was essentially demolished by Böhm-Bawerk. Of course, by the way, the famous story here, a true story, in volume two of *Capital*, by this time Marx had died and Engels was engaged in this great work of coming out, getting Marx's old notes together and into a book form, and in volume two of *Capital* in the preface, Engels teasingly and childishly organized a game.

"Let's see how Marx is going to solve a great problem. The great problem, of course, is this." In volume one of *Capital*, if profits come from exploitation of workers and [unintelligible] are reduced, then of course there's capital investment, how is it [unintelligible] really about the same in the market?

What's the story here? Why isn't it true that the profit rate on say a heavily capitalized industry is much lower than a profit rate in ditch digging, which would be very high? And he said, "Listen, in volume three Marx will solve this great problem." So Engels offered a contest. "Let's everybody get to it and see how Marx solved it, see if they predict how Marx solved it."

A lot of people engage in this contest. Of course, there was no prize at the end. But anyway, they came out with, how could you solve this insoluble problem? In other words, you either have the labor theory of value, either you give that up or you give up the idea that profit rates are equalized on the market.

Marx didn't give up either one. Anyway, nobody solved it, supposedly. It comes out of the alleged solution, which Böhm-Bawerk then

[unintelligible] patiently, point by point, and shows that Marx essentially gave up, implicitly gave up the labor theory of value. Obviously, he had to admit that profits tend to be equalized on the market, and therefore the labor theory of value is shot.

And of course, Marx doesn't admit, but he points out he has to admit it, etc. The interesting thing is the reaction, I think many Marxists gave up the thing altogether. Akile L'Oria, kind of a sweet reaction to all this—L'Oria was an Italian Marxist, didn't have to wait for Böhm-Bawerk's critique.

He realized immediately that when he read volume three, the whole thing was shot, and he was very bitter because he had previously said that *Capital* was the greatest book of all time, it's the fulcrum of all life or whatever. When volume three came out, L'Oria said that, "This is the Russian campaign of Marx," an analogy—of course, Napoleon's Russian campaign. This is the end, it's suicide, he's had it, Marxism is finished.

The other Marxists who were trying to remain Marxists to this day, what they did is essentially change [unintelligible] terms of the debate. They said, "Well, Marx didn't mean... When he talked about value, he didn't mean prices, he didn't mean influence [unintelligible] pricing. That's something else, he had some kind of mystical embodiment of value. It has nothing to do with the price system."

Of course, Marx thought it had something to do with the price system. This is typical, of course, Marxist reaction to criticism. When predictions are made, when Marx makes a prediction—for example, the workers are going to get worse and worse off until they finally revolt—they're obviously not getting worse and worse off, and Marxists' reaction, "Well, Marx didn't mean worse off; he meant relatively worse off than wealthier people."

You shift the terms of the debate. You'll never be wrong from non-falsifiable proposition. So the Marxist reaction was—those who continued to be Marxists—“Well, Marx didn't mean... He meant value in some sort of mystical sense. The values were embodied by labor, and it had nothing to do with prices.”

But Marx, I don't think, meant that. But this is a fallback position. This is the position of [Futferdeng], for example, the so-called refutation of Böhm-Bawerk. Mises tells the story about Otto Bauer, who was the leading Austrian Marxist for many years, a friend of Mises, at least for a while.

And Bauer enrolled in Böhm-Bawerk's seminar for a few years, in order to refute it. He wanted to refute Böhm-Bawerk's refutation of Marx. It'd be the definitive refuta... He never did it, and he admitted to Mises one time, “Is this it? There's no refutation.” The labor theory of value was shot.

And one interesting thing is, as sort of a footnote to this saga, is that the most highly praised recent book on Marxism, this is by Thomas Sowell, on Marxism, also takes the Marxist line of Böhm-Bawerk, “You don't understand Marx; he meant something else.” It's a strange book. The Sowell book is essentially a pro-Marxist book, which has been billed by propagandists as the definitive critique of Marxism. I leave that for your... It's kind of an interesting saga.

There's also a charming, a couple of charming points by Alexander Grey, who's my favorite humorous economic writer, history of economic thought. He's going through all that stuff, this marvelous book about socialist tradition—he's going through all the socialists. He talks about the attempts of various Marxists to try to explain why Marx didn't mean value, what did he really mean when he talked about value?



He takes off on GDH Cole's book, which is called *What Marx Really Meant* and tries to explain this, etc. So here's a charming quote from Grey. This is his critique of Cole: "The identity of value in embodied labor was surely something Marx thought he had proved, and which therefore required proof in the opening pages of *Capital*. If the [unintelligible] value of labor is a matter of definition," as the neo-Marxists said, an assumption, "at least we know the meaning Marx attaches to value. In that case, the pretended proof in the opening chapter is mere eyewash, since one states but does not prove definitions."

So if the whole thing is simply a definition, "It's value because I say it is," why does he go through the whole book? "Also, in that case," he adds, "It is to be feared the whole of *Capital*, resting on an arbitrary definition, which implies the conclusion to be reached, is an example of wandering vainly in a circle, even more than the most critical critics have thought possible. If, on the other hand, the identity of value and labor is a matter of proof and not a definition, we still have to grope the meaning Marx attaches to the word 'value.'"

To conclude with Grey on Marx's value theory, "To witness Böhm-Bawerk or Mr. Joseph," HWB Joseph wrote a book the labor theory of value and Marx, "To witness Böhm-Bawerk or Joseph carving up Marx is but a pedestrian pleasure. These are but pedestrian writers, who are so pedestrian as to clutch at the plain meaning of words, not realizing that what Marx really meant," Cole, "has no necessary connection with what Marx undeniably said.

"To witness Marx surrounded by his friends is, however, a joy of an apparently different order. But it's fairly clear that none of them really knows what Marx really meant, and even a considerable doubt as to what he was talking about. There are hints that Marx himself did not know what he was doing." [laughs]

“In particular, there’s no one to tell us what Marx thought he meant by value.” I think that’s, in a sense, the last word on Marx, because I think—that’s a whole other saga—the entire Marxian canon is essentially a prophetic religious movement of a weird kind. What I’m advocating here, essentially back to Böhm-Bawerk, put that on a sloganeering term, because Böhm-Bawerk has been denigrated, he essentially fulfilled the Mengerian mission, and applied Mengerian Austrian economics to capital and interest, and successfully so, I think.

And then Feder of course, we’ll add him to the arrow here, and Mises. So I think that’s basically what I want to say in the lecture. I’ll wrap it up now and call for questions. Thank you. [applause]

**Female Voice:**

My question is that Böhm-Bawerk and Mises had different approaches in dealing with government and bureaucracy. In fact, Mises essentially was somewhat tolerant of it.

**Rothbard:**

Tolerant of bureaucracy? I don’t think so. Böhm-Bawerk, as I said on Böhm-Bawerk, he’s not a pure academic. Menger too was a civil servant and a member of parliament. Böhm-Bawerk was Minister of Finance, I think Menger was Minister of Commerce for a few years. Böhm-Bawerk was Minister of Finance several times. He sort of alternated his seminar, his professorship and Minister of Finance.

He was the one responsible for going to the gold standard. And generally a free market type. He didn’t engage in political economic analysis as much as Mises did, but basically I think in the same area. By the way, another Böhm-Bawerkian mystery is, there’s no biography of Menger, no biography of Böhm-Bawerk—another research project—nothing.

Böhm-Bawerk died fairly young, died immediately after World War One broke out. The story is he might’ve committed suic... [unintelligible] very

depressed, [unintelligible] the war meant the end of Western Civilization as far as he was concerned.

And there was also a story he might've committed suicide as a result of that. That's the whole question about—the whole world's falling apart, and it was falling apart, classical liberalism and peaceful world, peaceful Europe, so forth and so on. I think they're really fairly similar, [unintelligible] Böhm-Bawerk. Böhm-Bawerk doesn't have much time for any [unintelligible] except his three-volume work, and in different editions of and different various journal articles.

So, basically he too was wrapped up in statesmanship. I'm not sure what his theory of bureaucracy was. I don't know if Böhm-Bawerk—there must be Böhm-Bawerk papers somewhere. I'm not sure where they are. Something to be explored.

**Male Voice:** A couple things about Menger—Hayek mentions in his *Introduction To The Principles* that Menger was an activist in the liberal party. Maybe that'll help give us an indication of his policy.

**Rothbard:** I'm not sure. I guess liberalism is many things—could be laissez-faire liberals, and could be some sort of moderate. I'm not sure. [Schweissler] claimed he was a hardcore laissez-faire liberal.

**Male Voice:** In a book called *The Gold Standard* edited by [unintelligible], that brings out Menger's position on the gold standard. [unintelligible] because it limited the expansion of the state.

**Rothbard:** I thought it was probably true.

**Male Voice:** --some statist [unintelligible] in his book on money, he was evidently somewhat of a mixed bag in that.

- Rothbard:** [unintelligible] The fellow who wrote in the Mary Smith book on Menger's political theory, political views, keeps talking about the Austrian political theorist, E-O-T-V-O-S, with three umlauts. I'm not sure how you pronounce it. But he sounded pretty statist to me, but I'm not... Anybody know anything about [Eotvos]?
- Male Voice:** He believed that the Austrian Empire should maintain its traditional [unintelligible] local control over things, and [unintelligible] a lot. It's sort of a [unintelligible] actually, he was very influential, but he didn't have any particular views on economics. He was more suggesting that it was desirable to maintain the customs of the old regime [unintelligible] like the Austrian Empire, didn't have a democratic [unintelligible] very much against [unintelligible].
- Male Voice:** Remember that [unintelligible] in Vienna, that Menger and Rudolf had co-authored anonymous political pamphlets.
- Rothbard:** That's right.
- Male Voice:** It was very hardcore anti-statist and laissez-faire, that Rudolf got exiled to Budapest for.
- Rothbard:** That's right, my God.
- Male Voice:** [unintelligible] papers.
- Rothbard:** Yeah. And he wrote it anonymously. All right. The hidden Menger, that's great.
- Male Voice:** I want to say a few words about [unintelligible] and how it is that he got [unintelligible] someone argues that he's not an Austrian [unintelligible].
- Rothbard:** Well, he was a Fabian socialist. [Wichstein] was also a Fabian, although he certainly doesn't write like one. He writes like a hardcore market

person. And he also used, perhaps the first one to use the idea of the [unintelligible] the idea that since you have a diminishing marginal utility of money, that somehow the means that you should have a progressive income tax to maximize general social utility.

I think the origin of that. I'm not sure how he [unintelligible] or whatever. Then of course there's no biography of him either. Mises in his recollection is very bitter about Wieser, and didn't consider he was [unintelligible] value much at all. As a matter of fact, when Hayek was first introducing himself to Mises, he had had a letter of recommendation from Wieser, which almost killed Hayek's chances with Mises. Not quite, but probably not considered a positive recommendation.

So I'm not sure. I've read Wieser's *Social Economics*, didn't think much of it. I didn't see much in there of much value.

**Male Voice:** There's a section in volume two of Böhm-Bawerk's work, a section called "The Law of Costs," in which he elaborates on the cost projection view of price determination, and he says that it's possible to reconcile this with the demand utility approach. So you reconcile the backward, looking toward the past, price determination, with the looking toward the future view.

**Rothbard:** Well, the costs look into the future; the costs are the expected productivity of the factor to the consumers. In other words, the costs are also a subjective concept. When people pay for a factor of production, they think [unintelligible] bring certain value to the entrepreneur, based on what consumers will pay for it, how much will be produced and what consumers will pay for it.

**Male Voice:** I didn't think he was using that [unintelligible] of cost. I think he was using the classical version of cost as monetary outlay. And I'm not quite sure how he's able to tie them together.

- Rothbard:** Well, I'm basically thinking he used this version of cost. I realize that was developed more over time, but I think he was basically an opportunity cost Austrian. And certainly Jebins, to the extent he wrote about it, was. Yeah?
- Male Voice:** Larry White says that Böhm-Bawerk was just simply not a praxiologist, and that Mises' work and methodology was to some extent a repudiation of his mentor. Do you think that's much ado about nothing?
- Rothbard:** Why didn't Mises ever say it? Mises was not reluctant to talk about what his views were. There's nothing in Mises to think he repudiated Böhm-Bawerk, quite the opposite. He always hailed him as his predecessor.
- Male Voice:** The whole style of Böhm-Bawerk's presentation is clearly [unintelligible]-logical. It's kind of logical deduction, reading his book—he starts from scratch and then builds [unintelligible] ridiculous to think that there's any kind of principal difference between the two, even though Böhm-Bawerk did not like [unintelligible] Marx in various places, but there's no indication—
- Rothbard:** There's a beautiful book, Böhm-Bawerk. Actually, one of the problems with Böhm-Bawerk—I realize the Smart translation is the first edition. The Zenholtz translation is the third edition. I don't know German that well, but I know Smart was a much better writer in English. Böhm-Bawerk in the Smart edition is a great writer, it flows beautifully. So I don't know if that's Smart himself, who was himself a good writer or whatever.
- But I would recommend reading that to get the flow of Böhm-Bawerk, a step by step [unintelligible] puts together. The Zenholtz translation is kind of choppy and wooden. As a matter of fact, when I told Engol Catter about this, who of course read most translation and all the rest of it, the original, he said he felt the Smart translation was better, period.

- Male Voice:** Can you briefly explain the difference between Menger, Böhm-Bawerk and Mises and Lochmann's notion of capital, and how Lochmann's notion of capital and the structure of production leads to a nihilist view?
- Rothbard:** Well, Lochmann's book, *Capital And Its Structure*, is a basically Böhm-Bawerk-Misesian book. It's the early Lochmann, Lochmann I. That's a fine book, I'm all for it. It talks about how the stock market fits into all this. Shares of titles to capital fit into the whole structure of allocating resources in the best manner, etc. That's a great book, it's an essentially Böhm-Bawerk-Misesian book.
- What happened was Lochmann, sometime after that, discovered [Chaquel] and nihilism and became a Chaquelian. That's Lochmann II. There's not much you can say about that, except it's institutionalist. It's nihilist and institutionalist. There are no economic laws, you can't predict the future, you don't know what's going on, it's all sort of chaotic, or kaleidic, as Lochmann put it.
- That's about it. It's kind of a boring thing, in a sense. Even if it were true, it'd be boring. It's, of course, false, but it's really about all you can say, that everything is kaleidic and [unintelligible] wipe out all of economics. I don't see much—I think that Böhm-Bawerk definitely, he's more in the Misesian, praxiological tradition than Menger in the sense of step by step analysis, and everything flowing logically.
- Male Voice:** Earlier, you said that Böhm-Bawerk was unfair to [unintelligible]. Would you say something similar to that about his treatment of Cassell and the notion of waiting and all that?
- Rothbard:** I don't know. I didn't really focus on it. I know Cassell is sort of [aggregate of this type], kind of a Fischer type. And also he didn't have the array view of, you know, the price index view, etc. He might've been.

As I say, he has this idea that everybody before him has to be demolished, and once in a while demolishes something unfairly.

It might be. The only thing, he didn't know that with John Rae, but of course John Rae was discovered after he wrote his first edition. In 1903 or whatever, he came out with this edition, then he hailed John Rae as a great predecessor. Although by that time he sort of established a strategy for [responding].

So it might be [unintelligible]. You'd have to go back and check it.

**Male Voice:** If the paper favorable to Turgo is still in Hayek's basement, how is it known that Böhm-Bawerk was so favorable in the beginning—

**Rothbard:** Because it exposes what he said. Hayek reported this, then he hails Turgo as a predecessor of his own work. He's certainly a Turgo [unintelligible]. The marvelous English translation of *The Law of Turgo's Economics Works* by Gronavagen, he's got that in there, reporting this from Hayek.

So I could see Hayek disgorge this, or his estate or whatever, and get this, get it translated or whatever; it'd be fascinating.

**Male Voice:** [unintelligible] anything else on Menger and Böhm-Bawerk. I think you're being a little unfair to Tom Sowell's book about Marxism. I think that Sowell's point about Marx and labor, the definition of that, in fact, I think Tom states specifically in his book that Marx did not give a labor theory of value, he gave a labor definition of value, and this is a bit of controversy.

And given that Marx is, in many cases, not sufficiently coherent to be termed right or wrong, I think that you are being a little bit unfair—



**Rothbard:** I think I'm being not unfair enough, because he says that these other guys never mention, never cite Marx directly, Samuels and so forth. And he said, "Marx never has a labor theory, doesn't mention the word 'labor theory of value,'" and of course he did, and there's a review [unintelligible] Ramsey Steel in the International Philosophical Quarterly, points that out. [unintelligible] in this points out it's right in there and quotes it. So I think that's—he does other things like that too, very arrogant.

It's better to be arrogant when you're justified. It's very bad to be arrogant when it's not justified at all. I think that's [unintelligible] with Sowell. I think the Conway book is infinitely better as an introduction to Marx than Sowell is. I think what happened with Sowell, if you read the Sowell book carefully, you'll find that the citations, almost all of them are from before 1963.

So it's pretty clear that this is a collection of his notes written when he was a Marxist, Sowell, and just simply put together, and he added on an anti-Stalinist chapter, and that's about it. I think that's the inception of the book, his annual book, [unintelligible] last year.

**Male Voice:** With the modern Marxists, they attempted to defend his labor theory of value or reject it. It seems like there's a big problem—if you defend it, then predictably, they say very silly things. But if they reject it, then [unintelligible] everything collapses.

**Rothbard:** They say they tend to reject it.

**Male Voice:** [unintelligible]

**Rothbard:** I don't know, beats me.

**Male Voice:** [unintelligible]

- Rothbard:** Yeah. Class struggle.
- Male Voice:** --revolution of mankind through the stages of feudalism, socialism and all the rest of it. [unintelligible] but to my knowledge, there's hardly any Marxist who will defend his labor theory of value, even though they all recognize that that is the core of Marxism.
- Male Voice:** There was one at NYU, I can't think of his name—
- Rothbard:** Becker.
- Male Voice:** He [unintelligible] defended the labor theory of value.
- Rothbard:** They're very few and far between.
- Male Voice:** But I can't remember what he said, it's hard to remember.
- Rothbard:** Yeah, basically they fall back on general sociology or whatever. Alienation, of course, is a big one. The labor theory of value gets shunted to the side somewhere. But it's interesting, because Marxism tends to flourish not in economics, but in other, softer disciplines— language or sociology, all these benighted areas, where it flourishes. But economics is really fairly free of it.
- Male Voice:** [unintelligible]
- Rothbard:** Is it?
- Male Voice:** I think that's an imaginary model.
- Rothbard:** But even in the communist countries, the leading forces giving up Marxism are economists—Yugoslavia, Hungary, etc. [unintelligible] forefront of abandoning the whole damn thing, and going on to some sort of market.

- Male Voice:** [unintelligible] economists who [unintelligible] Marxists. I mean not Marxist in the sense that that is the philosophy that they use as their guideline or whatever. You'll find it amongst sociologists, political scientists, German/English literature. You name it, you got it. But in economics, meeting a Marxist is a rare occasion.
- Rothbard:** [unintelligible] to defend it. And something about the discipline of economics, I think it's a conservatizing influence in general. You can't eat your cake and have it at the same time, a self-discipline.
- Male Voice:** [unintelligible]
- Rothbard:** Yeah, that too.
- Male Voice:** While we're on the topic [unintelligible] tell us a little bit about—you just finished your work on Marx. Give us a little précis of your view of Marx.
- Rothbard:** Okay, thank you. What happened is I set out to write a short book on the history of economic thought, and it's gotten longer and longer and longer, because I can't leave out good guys, I can't leave out bad guys, and I find more and more good guys and bad guys all over the place. In the case of Marx, I thought, "Well, everybody knows about Marx's labor theory of value," and bingo, I found out there's a lot more to it, and I had to ply my way through Hegel, which is not something I'd wish on my worst foes.
- At any rate, what I think the essence of Marxism, it's worse than you might think. In other words, the whole thing's really a religious doctrine. It comes from, it starts off with Christian heresy and actually a neo-Platonic movement—Christian heresies in the early Christian period. It came along as sort of an underground movement, the basis of which—there are two aspects of it—one is creatology, the science of how the universe was created, or why did God create the universe?

This might seem to many here an esoteric topic. But it's something like praxiology—theology I find very interesting. Something like praxiology—one slip and you've had it. One slip in your deductive chain, you make one slip somewhere in the early premises, you're sort of finished. You're going after bizarre deviations.

So what happens, the Orthodox Christian view, which is a safe view, by the way, in all these areas, far as I can see. The Orthodox Christian view is God created the universe out of love for his creatures, and there's no political implications or sociological implications from this. The heretical view was that God created the universe because God was dissatisfied, was lonely or whatever, imperfect.

So you start off with that viewpoint, which starts with say [Plotinus], and as the old Platonist goes down, is that you start with God and man are unified. How man and God could be unified before creation, I don't know, don't ask me to explain this; I can only report it. So God and man are together in one cosmic blob, but unfulfilled, imperfect.

Then God creates the universe as an act of desperation in trying to fulfill God's functions or soul or whatever. And then you have creation. Creation becomes, then, as heretical Christian heresy view, an act of evil, because what you have is you split the original unity of man and God. Before that, man, God and nature, before creation, were unified. That was the great thing about it.

Then with the creation of universe, everything got split into atoms, individuals and species and all the rest of it. So man, the collective, capital M, of course, the species is now cut off from nature and cut off from God. And individual men are cut off from each other because they're really part of a collective blob.

So at this point the bad thing about it is, this is where the concept of alienation comes in. Alienation is not mean, psychological disturbance because you don't like what's going on or something. Alienation is a fundamental act of creation, creation itself. Man, God and nature are alienated from each other. So then what happens is a determined process by which God fulfills himself in some way, man fulfills himself, and species development, and finally, as an ultimate act, the final end of the universe, eschatology, the last days, where man and God rejoin each other in a great blob again, this time at a higher level. The return.

Whatever you want to say about this, it's very collectivist, because the individual means nothing, the individual person is nothing, just a cell in this great collective organism. So when you say man is progressing, it means the species is progressing toward this higher level of ultimate reunion with God.

What happens as things develop, after the Christian period, the Middle Ages, etc., this gets pantheized with Hegel. The entire Romantic period is a pantheization of this. God drops out as a supernatural being or whatever, and what you're left with is collective man, the species, then fulfilling, finding out that man and God are really the same thing. And that's the ultimate consciousness. You wind up with a cosmic blob. This time God has dropped out. Man and God are the same thing, you have a sort of pantheistic thing where all is one. This is the end of history, the end of the universe.

And the entire Romantic period, by the way, is saturated with this crap. There's a wonderful book by MH Abram, which I recommend to everybody called *Natural Supernaturalism*, which analyzes all the Romantic literature and philosophy—basically, Wordsworth and Coleridge and Hegel and Schleiermacher and Schlegel and Schiller, and

all these people, mostly German and English, and they all have this viewpoint, more or less, down to DH Lawrence, by the way.

You have a species development winding up with the end of alienation, and everything's great and perfect, it's the end of history, man is reintegrated with nature and God and the rest of it. So what you have with Marx is an atheist version of this pantheism. Hegel was a pantheist. Hegel, of course, believed that he himself was the final culmination, he was the ultimate God person because he invented the theory, and this makes him the world-historical figure.

And Marx atheized it. Instead of talking about God at all, you just have a collective species blob, man with a capital M. So what you have as the final eschatology of course is the communist system, where everything is integrated—all individuals are joined together in a collective blob, which is he calls the end of history.

It's an atheized version of a pantheized version of original Christian heresy or neo-Platonic heresy. And you have the apocalyptic final conflict where, all these things, there's a final conflict of good and evil, where good triumphs over evil, and it puts an end to history. All these things, I wouldn't say it makes sense out of Marx, but you understand what maybe he was talking about. He was involved in this kind of, a prophet of this doctrine.

You look at his so-called early poems, even more interesting. Early poems does not mean he was a kid of 12; he was a graduate student. I figure if you're a graduate student, you're responsible for your own product, right? He wrote these very interesting poems which have been translated, most of them. It's really hair-raising, because essentially he sets forth his program.

It's before he knew about the labor theory of value. This was his ultimate vision of the world. His vision of the world was, and he said it explicitly was, he hates the universe because God created it, and it means God is a greater person than he is. Therefore his goal is to destroy the universe. This of course fits in with the rest of his program.

So anyway, it's a fascinating study. How could I leave this stuff out, right? The book keeps growing and growing. [unintelligible] diversion of the Marxian vision. And this is of course accepted—he becomes a communist, and then he looks around for—in other words, he becomes a communist, communist is the final goal; how do you bring it about?

If you have religion, you have the Second Coming, the Messiah comes and you have the mechanism. Of course, Marx couldn't talk about a messiah. So you have to have some inevitable law of history that determines the final outcome. For the rest of his life, he's searching for the economic forces, how does this work? Why does capitalism inevitably lead to communism in a final apocalyptic moment, when the working class takes over?

He's trying to find the mechanism. So the last 30 years of his life or whatever, he's trying to figure out how it must work. But the goal of communism was established from very early, [unintelligible] and the rest of us spin out how a Messianic age is going to take place without the messiah. It's difficult to do it. I could see try [unintelligible] whatever you want to call it, and flopped.

Anyways, sort of a capsule view of it.

**Female Voice:** [unintelligible] leads to communism?

**Rothbard:** This is Marx's view, yeah. By the way, some good books on this—the Tucker book is the best book, it's extremely difficult reading. It's Robert

C. Tucker, it's called *Philosophy and Myth in Karl Marx*, and it's almost as difficult reading as Marx himself, or Hegel, but it's worth it, and he really got most of this in there.

Other books, Bruce Maslisch book, it's a paperback called *The Meaning of Karl Marx*. It's quite good. I was surprised because Maslisch is usually a Freudian historian. This time he played it straight, talked about the religious prophetic. [unintelligible] his own stuff, which is pretty good on all this, analyzing it, and more or less transcends the ideas of early Marx and then late Marx. There's one Marx, one bad guy. Starting out with this communism as a destruction eschatology and trying to figure out how to work it.

Interestingly enough, the idea there were two Marxes—the humanist type said, “Yes, the early Marx is great because the early Marx talks about freedom and alienation, then he gets bad because he talks about labor theory of value and economics—too rational.” This is the New Left Marxist.

Then you have the Stalinists like [Altusay], who say, “No, no, the early Marx is crazy; the late Marx is great because he talked about economics.” And of course, there's only one Marx, it's all different aspects of the same galoot.

**Male Voice:** Doesn't Sol in his book uphold this young Marx/old Marx?

**Rothbard:** I think so. He doesn't talk about the philosophic aspect much at all. I think he does, yeah.

**Male Voice:** Where did Sol go wrong? What are the claims that Sol made that—

**Rothbard:** He thinks that Böhm-Bawerk did not refute Marxian—that Böhm-Bawerk didn't understand Marx, and that Marx didn't talk about prices and things



like that. He doesn't really deal with much of any of this. But Conway, on the other hand, is quite good. Not perfect, but I think he deals with most of the problems. Not so much the religion aspect, but...

**Male Voice:** [unintelligible] as far as David Ramsey Steele—

**Rothbard:** It's a short review. Steele, he has...

**Male Voice:** [unintelligible]

**Rothbard:** International Philosophical Quarterly. Let's see what the issue was. It's June 1986, the International Philosophical Quarterly. It could be longer, it's a short review, even though he really spears him. What Sol said was that Marx nowhere refers to a theory of value, despite numerous and [unintelligible] interpretive literature to the contrary. Steele points out that, "There it is," he cited the exact quotes. That's just one feature of it. I'm sure Steele, if necessary, can work out a whole thing there, because he's got a lot to say about the Sol book. [Betton Lars].

**Male Voice:** David wasn't a Marxist.

**Rothbard:** Yeah, sure.

**Male Voice:** Before Marx became a Hegelian, what was he doing? I understand he was a fairly big classical economist.

**Rothbard:** He wasn't interested in economics. His first real poem is about destroying the universe, that was the first step, and then he became Hegelian. Economics really comes in much later, when he's trying to figure out, as I say, what the path is toward the allegedly inevitable communism.

**Male Voice:** I heard, I can't remember where, a number of times that *Capital* was really written by Hegel, and Marx is—

**Rothbard:** Written by Hegel?

**Male Voice:** And that Marx's name on it...

**Rothbard:** You mean Engels. Yeah, I don't know about that. Well, I don't know. It's interesting. Gary North has written a second edition of his book on Marxism—*Marxism, Religion and Evolution*, it's called, right? Gary thinks Engels really did most of the work. He was the theorist, and he revered Marx because Marx got a Ph.D., and Engels didn't. Sort of early case of Ph.D.-it is.

I'm not sure about that. It's interesting speculation. There's various views on it. Engels really was a real theorist. Other people think he was the bad guy, a view of the '50s, that Engel was a "Stalinist." I'm not really sure. It needs more investigation, if one of you is interested in investigating it.

Because the two were very close. When Marx was alive, he read everything Engels wrote, and whatever, so it's sort of like a joint product. Also, there's a tendency to whitewash Marx by saying Engels was a bad guy. For example, the dialectical materialism question. It's a part of Marxism that Marxists don't like to talk about, because the idea of dialectical materialism applies to all of life—the cells negates the cell and all that sort of stuff. It doesn't sit well with most people.

So the theory is, well, Engels is the guy who's interested in Darwin and biology and things like that, and Marx wasn't. It turns out Marx was just as interested. So I don't know, yeah, it's an interesting area of speculation.

**Male Voice:** Marx sent his work—he asked Darwin if he would be [unintelligible] him. But Darwin never replied. [unintelligible] at least he didn't agree. So Marx [unintelligible].

**Male Voice:** --economics from his father-in-law?

**Rothbard:** [unintelligible]? I don't think so.

**Male Voice:** [unintelligible] He liked his father, Paul, very much. I remember, he had a very close relationship, and that was an explanation why, in spite of the effect [unintelligible] the family of Marx's wife was actually opposed to the marriage. The only of the family who was in favor of the marriage of Marx to [unintelligible] was his father-in-law.

All the rest of them hated the fact that they were [unintelligible] family and all the rest of it, and Marx wasn't. And Marx, until the end of his life, was very proud of the fact that he had married a person from nobility.

**Rothbard:** His wife had a great calling card—Baroness von Nussbaum.

**Male Voice:** That's also why he made tremendous efforts to hide that he also had [unintelligible] kids, because [unintelligible] wife from nobility, that's not the sort of thing you do.

**Rothbard:** By the way, the Gary North book is very interesting. One of the contributions of the book, it's the only place I've seen the standard of living indexes of what Marx was living on, what the purchasing power was. It turns out Marx generally was living a very high income level, supplied to him mostly by Engels, of course, and by his other benefactors. He was always bitching about a shortage of money, always borrowing and never paying back and so forth. But he lived apparently quite a high income level, went through it like water, then accused everybody else of having a money fetish.

**Male Voice:** Why is it so hard to bury him once and for all?

**Rothbard:** Like I say, I think it's a religious movement, and it's a true believer kind of thing. [unintelligible] penetrate a rational argument, that's basically it.

That does happen, of course. People get converted out of Marxism quite frequently. But I guess a good spot to end the session. Thank you very much. [applause]

**end of transcript.**