

Austrian Economics: An Anthology

edited by Bettina Bien Greaves

The Foundation for Economic Education • 1996
• 176 pages • \$14.95 paperback

Reviewed by Robert Batemarco

In my years in academia, I've attended many seminars in Austrian economics and even taught a few. Indeed, *Austrian Economics: An Anthology* reminds me of nothing so much as one of those scholarly assemblies—a seminar between covers, if you will. Led by Dr. von Mises, assisted by Dr. Böhm-Bawerk, and graced with the presence of “visiting professors” Bonar and Seager, this seminar delves into the origins and first principles of Austrian economics. All of these proceedings take place under the watchful eye of “Dean” Bettina Greaves, who went to great lengths to assemble the essays that make up this volume and wrote an enlightening introduction to it.

In any discussion of the origins of Austrian economics, the rivalry between Vienna and Berlin looms large. H. R. Seager's discussion of the contrasts between the Austrian School and the German Historical School is enlivened by details of the actual participants available only to an eyewitness. While showing utmost respect for the scholars of both schools, Seager does not shrink from the conclusion that, contrary to the assertions of the German Historical School, all the historical data in the world can teach us nothing without being sifted through a filter of theory. The inadequacy of that approach comes through clearly in his description of chief German Historical School proponent Gustav Schmoller's attempt to explain value and price. “In this part of his lectures, the student meets only confusion, loose definitions, description instead of careful analysis, and conclusions arrived at, no one knows exactly how. His elucidation of the action of demand and supply in fixing price seemed to me especially unhappy.”

While Seager describes the products of this approach, Mises, in his previously published contributions here (including “The Historical Setting of the Austrian School” and “The Epistemological Problems” from *Human Action*) analyzes its essence. While Seager accords Schmoller and his colleagues the status of “economist,” Mises correctly sees their approach as the nullification of economics. To Mises, economists exposed the dispensation of privileges by governments to their sustainers for the injustice that it is. The German Historical School, however, glorified government and its prerogatives and sought, with undeserved

success, to brand *laissez faire* a parochial and outmoded doctrine. Mises' penetrating mind cut through their muddled methodological arguments to unearth the method in their madness: “The only way to refute economists' critique of interventionism is to deny the very existence of economics as a science.”

Where the Austrians' method of making logical inferences from the irrefutable axiom of human action (i.e., that people seek to achieve goals) was attacked by the Germans as yielding nothing but tautologies, Mises correctly insists that tautologies do indeed add to our substantive knowledge. This is especially true when the adherents of the Historical School were busy denying these tautologies—with the predictable tragic consequences.

In “The Austrian Economists,” Böhm-Bawerk steers the “seminar” away from the methodological battles, which he sees as distractions, however necessary they may be, to the crux of the matter, namely, the reform of positive economic theory. He does not dwell here on his own monumental contribution to our understanding of capital and interest, but rather on how Austrian economics stands the labor theory of value on its head by showing that value determines cost.

Make no mistake about it. It was their value theory which made it possible for Austrian economists to elucidate such issues as the role of money in economic activity and the inability of socialism to engage in rational economic calculation. Thus, it is appropriate that the first essay in this collection is James Bonar's lengthy appreciation of Austrian value theory. While he errs in one particular, claiming that Austrian economic ideas are, “substantially identical with those of Jevons,” a fellow discoverer of the marginalist principle who stressed the use of mathematics to advance economic theory, elsewhere he captures a truth which only Austrians have taken to its ultimate conclusion: “Objective value in exchange is the resultant of subjective valuations of the competing individuals in a commercial society.”

As any good seminar does, this book provides a “reading list” (References for Further Study), not to mention an index. To the serious student seeking real intellectual stimulation and a thorough grounding in Austrian first principles, I would say to sign up for this course before it fills up. □

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The Heroic Enterprise: Business and the Common Good

by John M. Hood

Free Press • 1996 • 266 pages • \$25.00

Reviewed by William H. Peterson

In his introduction John Hood, president of the John Locke Foundation in Raleigh, North Carolina, and a former Bradley fellow at the Heritage Foundation, notes that among free-market thinkers from Adam Smith to Milton Friedman, he has been especially inspired by Henry Grady Weaver. A devotee of Rose Wilder Lane and her *The Discovery of Freedom*, Weaver published his own interpretation and amplification of her work as *The Mainspring of Human Progress*.

Weaver, a General Motors corporate manager and number-cruncher, observed man's long, arduous, and often bitter struggle to overcome scarcity. Famine struck Ireland in the 1840s, for example, and has ravaged Africa and Asia in this century. Weaver's sharp eye saw scarcity as exacerbated by government intervention and overcome by private property rights.

Yet private property and American business continue to be savaged by the intelligentsia and the mainline media. Why this downgrading of American business? Hood suggests as one reason the dominance of negative business characters in Hollywood movies like *Norma Rae* and *Wall Street*. He cites analogous TV-series research by the team of Linda Lichter, Robert Lichter, and Stanley Rothman in which they find 58 percent of big-business characters since 1965 portrayed as villains.

In like manner, liberal politicians and media mavens fume as AT&T and other big businesses resort to downsizing, re-engineering, outsourcing, cost-cutting, consolidating, merging, and other vicious commercial practices. Critics too quickly forget their own innate cost-cutting and outsourcing in their own housekeeping and personal business. They still manage to wax indignant and rant: Is there no sense of business decency left? Is not American business guilty of putting property rights over human rights? Where, o where, has fled the social responsibility of American business?

Hood answers by discussing Milton Friedman's provocative view that "only people have responsibilities"; businesses have no responsibilities as such. As Friedman explains, "There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits, so long as it stays within the

rules of the game, which is to say, engages in open and free competition without deception or fraud."

So three cheers for *The Heroic Enterprise*. It makes waves and should be read by all those in high places who view market solutions as inferior to government solutions.

Modern liberals should see that capitalism and private property, not "social responsibility," release the energies of inventors and entrepreneurs. Enterprise induces savers and investors to serve and be served; it brings income and jobs into being, simultaneously conserves and expands natural resources, advances occupational health and safety, and improves wages and hours. Most importantly, under the sovereign direction of the consumers equipped with their life-and-death power of the purse, enterprise democratically causes producers to run scared and ever try to put out more for less. And it does all this on a strictly voluntary basis as opposed to the baldly coercive power of the state.

So who is the more apt to serve the public and serve it well—the businessman or the politician? Taking a page from philosophers George Santayana and Michael Novak, John Hood pleads with businessmen to think highly of their calling—capitalism. What a remarkable system, what a godsend to man! Yet so unappreciated and ill-understood, so hated and despised. Shakespeare's Puck had it right: "Lord, what fools these mortals be!" □

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Generation X Goes to College: An Eye-Opening Account of Teaching in Postmodern America

by Peter Sacks

Open Court • 1996 • 201 pages + index • \$16.95 paperback

Reviewed by Steven Yates

This is a disturbing book—all the more since the pseudonymous author is no friend of the free market. *Generation X Goes to College* is quite unlike the recent academic whistle-blowing efforts of Dinesh D'Souza, George Roche, and Christina Sommers. "Peter Sacks" divides his narrative into two parts. He starts with an autobiographical account of leaving journalism to teach at a school