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# (Reviews) Economic Thought Before Adam Smith and Classical Economics

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## **Comments**

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Economic Thought Before Adam Smith: An Austrian Perspective on the History of Economic Thought, Volume I. By Murray N. Rothbard. Brookfield, Vermont: Edward Elgar Publishing Limited, 1995. Pp. 556. \$99.95.

Classical Economics: An Austrian Perspective on the History of Economic Thought, Volume II. By Murray N. Rothbard. Brookfield, Vermont: Edward Elgar Publishing Limited, 1995. Pp. 528. \$99.95.

Here is a two volume, thousand page, nasty screed on right and wrong, truth and error, in the history of economic thought by the renowned "Austrian" economist Murray Rothbard. A morality tale of good and evil, it is an unusually fertile source of erudition and misinformation.

Volume I, Economic Thought Before Adam Smith is misnamed: it has two chapters on Smith, and basically ends with a critique of Malthus' Essay on Population. Volume II continues the story up to but not including the marginalist (or, as Rothbard insists, the "subjectivist") revolution in the 1870's.

Rothbard grades scores of writers on certain Austrian tests, such as whether they are strict adherents to laissez-faire economic policies, and whether they subscribe to a subjective theory of value. Perhaps more idiosyncratic to himself and/or Mises, he also grades them on whether they support fractional reserve banking (a debit), and the praxeologic methodology (a credit). According to Rothbard, the praxeological method "is the

only one that bases theory on broadly known and deeply empirical - indeed universally true - premises! Being universally true, the praxeological method provides complete and general laws..." (II;152). It "arrives at truths about the world and about human life that are absolute, universal and eternal" and they "impel assent to their truth by a shock of recognition; once articulated, they become evident to the human mind." (I;19) Economists who do not sufficiently recognize these "truths" are castigated.

So, for example, Rothbard realizes that Adam Smith was not a doctrinaire adherent to laissez-faire policies, did not have a subjective theory of value, was not against fractional reserve banking, and was not a methodological praxeologist (although Rothbard does erroneously think that Smith had an "absolutist, natural law position" in The Theory of Moral Sentiments). Rothbard finds that Smith "originated nothing that was true"; Smith "contributed nothing of value to economic thought"; Smith's doctrine on value was an "unmitigated disaster", his theory of distribution was "disastrous", his emphasis on the long run was a "tragic detour"; and, his putative "sins" (I;452) included introduction into economics of the labour theory of value.

Smith's great friend Hume is criticized because his Treatise "was pivotal in its corrosive and destructive scepticism" (I; 425) and scepticism is the worst groundwork for individual liberty (this position would certainly have surprised Hume!). The economics of Hume was "a considerable deterioration from that

of Richard Cantillon" (I;426) and it is "possible that some of the deep flaws in Adam Smith's value theory were the result of David Hume's influence". (I;430)

As for the Physiocrats: Rothbard applauds their laissez-faire political economy. Yet, the *Tableau Economique* is judged to be "irritating"; "elaborate fripper"; "false", "mischief-making", "deceptive", and in no sense did it "do anything but detract and divert attention from genuine economic analysis and insight". (I;376)

Ricardo had a "deductive system built on deep fallacy and incorrect macro-models". (II;82) Rothbard sees John Stuart Mill as having re-established the cost and indeed the labour theory of value, introduced the hypothetical methodology of positivism into economic thought, and committed "apostasy from laissez-faire", (II;281) all major regressions in the history of economic thought. Rothbard is against the "flabby and soggy 'moderation' that marked the adult John Mill and still attracts moderate liberals of every generation" (II;278); Mill was a "wooly minded man of mush" whose synthetic economic work was "a vast kitchen midden of diverse and contradictory positions" (II;277); Mill has been "egregiously and systematically overestimated as an economist, as a political philosopher, as an overall thinker and as a man" (II; 491). It is sadly paradoxical to see someone who is as pro-market as Rothbard come out so meanly against the winners in the marketplace of ideas.

Rothbard spends more than a tenth of the two volume work on

Marx, a "sponger" and a "cadger" with a corrupt attitude toward money (II;340), whose economics was a "tissue of fallacies. Every single nodal point of the theory is wrong and fallacious."

(II;433) Rothbard erroneously posits that Marxism is "monocausal technological determinism ... or it is nothing" (II;376) and claims "Marxists can only embrace reality by abandoning the Marxian system". (II;419) Even the conservative economist Thomas Sowell gets abused for having written "the most spectacularly overrated work on Marxism" (II;497), "a remarkably frenetic and unconvincing whirl of Marxian apologetics". (II;436, fn. 36)

Who does Rothbard like? Rothbard sees the following as more or less proto-Austrians: Richard Cantillon "who virtually founded modern economics in his remarkable Essay" (I;332), wrote the first modern treatise on economics, and pioneered microeconomic process analysis; Charles the third Viscount Townshend (1700-64) "who has been shamefully neglected by virtually all historians of economic thought" (I; 336); Turgot who "gets the prize for brilliancy in the history of economic thought" (I;385); Ferdinando Galiani; Etienne Condillac; Say who Rothbard sees as really in the "Cantillon-Turgot pre-Austrian tradition" rather than the Smithian classical tradition; Samuel Bailey whose work on value theory and methodology was "scintillating" and "penetrating"; and, Claude Bastiat who "brilliantly refuted Keynesianism nearly a century before its birth" (II;445).

Rothbard tends to ignore, minimize, or misrepresent other interpretations than his own. This is particularly noticeable in

his handling of the pre-modern thinkers, where his general lack of adequate footnotes/documentation to his references and quotes is also most evident.

Plato's Academy is declared to be "a fountainhead of policy programmes for social despotism" (I;6). Aristotle is criticized for being overly devoted to the polis; was "statist and elitist to the core"; his discussion of reciprocity in exchange is "gibberish"; his concept of equal value in exchange is "just plain wrong"; and he was "under the influence of the Pythagorean number-mystics" (I;15-16).

In spite of their aversion to usury, the scholastics become for Rothbard proto-Austrians. Rothbard holds that "the long-standing mainstream scholastic view [was] that the just price was the common price on the market" (I;59) and the "just price was whatever price was established on the 'common estimate' of the free market" (x). After reading Rothbard one wonders why the scholastics even used the apparently redundant term just price; why not simply say price? Actually, when the scholastics wrote there was no general "market" price, "free market", or "common price" for most goods. Prices tended to be administered, or set by local, isolated bargaining. The just price then referred not to a particular price, but to a price range. Outside of the price range the price became unjust; hence, Rothbard's anachronistic error in equating the just price with general market price.

Machiavelli's thought is covered in six pages. Calling him

"old Nick", Rothbard holds that Machiavelli was a "conscious preacher of evil to the ruling class" in both the Discourses and The Prince (I; 191); Rothbard views Machiavelli as preaching the virtue of deceit in the ruler.

Rothbard has an unusually broad view of who counts as an economic theorist. He even quotes from the little appreciated economist Davy Crockett: "young frontier state representative from western Tennessee ... future Whig leader and enemy of the Jacksonians" (II;216). Given this perspective, Rothbard's relative neglect of non-European thinkers is quite glaring. Arab thinkers do not figure in this story. Not recognizing the limits of his own knowledge, Rothbard overconfidently states that "nothing of substance came out of the great ancient civilizations in Mesopotamia and India" (I;18).

Rothbard feels that his work is "different from the norm" in the history of economic thought genre by emphasizing the importance of religious outlooks; bringing in lesser figures; and presenting an Austrian perspective (xiii).

A large part of the work of modern theologians and historians of economic thought consists of the handling and proper interpretation of various more or less sacred texts. Consequently, there is indeed room for a sophisticated study of the way theologians and historians of economic thought operate, as well as the complex interactions between religious and economic thought. Rothbard does not have sufficient theological background to do this. His major point, following the work of



Emil Kauder, A History of Marginal Utility, is that labour and cost of production theories of value developed especially in Britain due to the Calvinist emphasis on hard work and toil. Catholic countries tend to emphasize consumption and utility theories of value.

Rothbard does bring in many of the lesser figures in economic thought. However, Rothbard's handling of them does not lend depth, complexity, and comprehensiveness to his account; instead, there is just repetition of a few themes throughout history.

Indeed, history for Rothbard, does not really change. This, I think, is one of the key things separating Rothbard from that other Austrian work in this field, Schumpeter's masterful History of Economic Analysis (although Rothbard feels that Schumpeter was not really an Austrian economist; rather he was "a dedicated Walrasian" (xiii,fn.1)). For example, Rothbard claims erroneously that "modern anthropological research ... has demonstrated that most primitive and tribal societies were based on private property, money, and market economies." (II;312, fn.1) Private property, money, market economies then have existed since time immemorial. This view of history, together with his equally unSchumpeterian view of scientific truth as easily attainable and obvious once articulated, leads to a flattening of history and of texts. The richness, ambiguity, and overdetermination of textual and historical explanation are alien to Rothbard's Weltanschauung.

Graduate students in search of dissertation topics in the history of economic thought from an Austrian perspective or working under Austrian economists will want to skim this book. They will find such potential topics as the "virtually unknown" Scotsman John Craig who was the first to bring subjective utility theory to nineteenth century Britain; Amos Kendall, the editor of the "important Frankfort, Kentucky Argus newspaper" who allegedly gave the first expression of the law of diminishing marginal utility in three newspaper articles; Gustave de Molinari's arguments for competition in the private production of police and judicial protection as well as defense (the South American country Colombia is currently at the forefront of this area of privatization); and many others along these lines.

Rothbard's book suggests there is an unusually high tolerance for uncivil rhetoric by the Austrian school of economists. Economists studying the rhetoric and sociology of economists may be keenly interested in exploring this side of Rothbard's work.<sup>1</sup>

1. For a start, see e.g. Karen Vaughn on Rothbard (Austrian Economics in America, Cambridge Univeersity Press, 1994), pp. 93-100, and especially pp. 99-100.