

Ludwig von Mises and the Paradigm for Our Age

MURRAY N. ROTHBARD

UNQUESTIONABLY the most significant and challenging development in the historiography of science in the last decade is the theory of Thomas S. Kuhn. Without defending Kuhn's questionable subjectivist and relativistic philosophy, his contribution is a brilliant *sociological* insight into the ways in which scientific theories change and develop.¹ Essentially, Kuhn's theory is a critical challenge to what might be called the "Whig theory of the history of science." This "Whig" theory, which until Kuhn was the unchallenged orthodoxy in the field, sees the progress of science as a gradual, continuous ever-upward process; year by year, decade by decade, century by century, the body of scientific knowledge gradually grows and accretes through the process of framing hypotheses, testing them empirically, and discarding the invalid and keeping the valid theories. Every age stands on the shoulders of and sees further and more clearly than every preceding age. In the Whig approach, furthermore, there is no *substantive* knowledge to be gained from reading, say, nineteenth century physicists or seventeenth century astronomers; we

may be interested in reading Priestley or Newton or Maxwell to see how creative minds work or solve problems, or for insight into the history of the period; but we can never read them to learn something about science which we didn't know already. After all, their contributions are, almost by definition, incorporated into the latest textbooks or treatises in their disciplines.

Many of us, in our daily experience, know enough to be unhappy with this idealized version of the development of science. Without endorsing the validity of Immanuel Velikovsky's theory, for example, we have seen Velikovsky brusquely and angrily dismissed by the scientific community without waiting for the patient testing of the open-minded scientist that we have been led to believe is the essence of scientific inquiry.² And we have seen Rachel Carson's critique of pesticides generally scorned by scientists only to be adopted a decade later.

But it took Professor Kuhn to provide a comprehensive model of the adoption and maintenance of scientific belief. Basically,

he states that scientists, in any given area, come to adopt a fundamental vision or matrix of an explanatory theory, a vision that Kuhn calls a "paradigm." And whatever the paradigm, whether it be the atomic theory or the phlogiston theory, once adopted the paradigm governs all the scientists in the field *without* being any longer checked or questioned—as the Whig model would have it. The fundamental paradigm, once established, is no longer tested or questioned, and all further research soon becomes minor applications of the paradigm, minor clearing up of loopholes or anomalies that still remain in the basic vision. For years, decades or longer, scientific research becomes narrow, specialized, always within the basic paradigmatic framework.

But then, gradually, more and more anomalies pile up; puzzles can no longer be solved by the paradigm. But the scientists do not give up the paradigm; quite the contrary, increasingly desperate attempts are made to modify the particulars of the basic theory so as to fit the unpleasant facts and to preserve the framework provided by the paradigm. Only when anomalies pile up to such an extent that the paradigm itself is brought into question do we have a "crisis situation" in science. And even here, the paradigm is never simply discarded until it can be replaced by a new, competing paradigm which appears to close the loopholes and liquidate the anomalies. When this occurs, there arrives a "scientific revolution," a chaotic period during which one paradigm is replaced by another, and which never occurs smoothly and gradually as the Whig theory would suggest. And even here, the *older* scientists, mired in their intellectual vested interests, will often cling to the obsolete paradigm, with the new theory only being adopted by the younger and more flexible scientists. Thus, of the co-discoverers of oxygen in the late

eighteenth century, Priestley and Lavoisier, Joseph Priestley never, till the day he died, conceded that he had in fact discovered oxygen; to the end he insisted that what he had discovered was merely "dephlogisticated air," thus remaining within the framework of the phlogiston theory.³

And so, armed with Kuhn's own paradigm of the history of scientific theories, which is now in the process of replacing the Whig framework, we see a very different picture of the process of science. Instead of a slow and gradual upward march into the light, testing and revising at each step of the way, we see a series of "revolutionary" leaps, as paradigms displace each other only after much time, travail, and resistance. Furthermore, without adopting Kuhn's own philosophical relativism, it becomes clear that, since intellectual vested interests play a more dominant role than continual open-minded testing, it may well happen that a successor paradigm is *less* correct than a predecessor. And if that is true, then we must always be open to the possibility that, indeed, we often know *less* about a given science now than we did decades or even centuries ago. Because paradigms become discarded and are never looked at again, the world may have *forgotten* scientific truth that was once known, as well as added to its stock of knowledge. Reading older scientists now opens up the distinct possibility that we may learn something that we haven't known—or have collectively forgotten—about the discipline. Professor de Grazia states that "much more is discovered and forgotten than is known," and much that has been forgotten may be more correct than theories that are now accepted as true.⁴

If the Kuhn thesis is correct about the physical sciences, where we can obtain empirical and laboratory tests of hypotheses fairly easily, how much more must it be

true in philosophy and the social sciences, where no such laboratory tests are possible! For in the disciplines relating to human action, there are no clear and evident laboratory tests available; the truths must be arrived at by the processes of introspection, "common sense" knowledge, and deductive reasoning, and such processes, while arriving at solid truths, are not as starkly or compellingly evident as in the physical sciences. Hence, it is all the more easy for philosophers or social scientists to fall into tragically wrong and fallacious paradigms, and thus to lead themselves down the garden path for decades, and even centuries. For once the sciences of human action adopted their fundamental paradigms, it becomes much easier than in the physical sciences to ignore the existence of anomalies, and therefore easier to retain erroneous doctrines for a very long time. There is a further well-known difficulty in philosophy and the social sciences which makes systematic error still more likely: the infusion of emotions, value judgments, and political ideologies into the scientific process. The angry treatment accorded to Jensen, Shockley, and the theorists of inequalities of racial intelligence by their fellow scientists, for example, is a case in point. For underlying the bulk of the *scientific* reception of Jensen and Shockley is that even if their theories are true, they should not say so, at least for a century, because of the unfortunate *political* consequences that may be involved. While this sort of stultifying of the quest for scientific truth has happened at times in the physical sciences, it is fortunately far less prevalent there; and whatever the intellectual vested interests at stake, there was at least no ideological and political buttressing for the phlogiston theory or the valence theory in chemistry.

Until recent decades, philosophers and social scientists harbored a healthy recogni-

tion of vast differences between their disciplines and the natural sciences; in particular, the classics of philosophy, political theory, and economics were read *not* just for antiquarian interest but for the truths that might lie there. The student of philosophy read Aristotle, Aquinas, or Kant not as an antiquarian game but to learn about the answers to philosophical questions. The student of political theory read Aristotle and Machiavelli in the same light. It was not assumed that, as in the physical sciences, all the contributions of past thinkers have been successfully incorporated into the latest edition of the currently popular textbook; and it was therefore not assumed that it was far more important to read the latest journal article in the field than to read the classical philosophers.

In recent decades, however, the disciplines of human action—philosophy and the social sciences—have been frantically attempting to ape the methodology of the physical sciences. There have been many grave flaws in this approach which have increasingly divorced the social sciences from reality: the vain substitute of statistics for laboratory experimentation, the adoption of the positivistic hypothesis-testing model, the unfortunate conquest of all of the disciplines—even history to some extent—by mathematics, are cases in point. But here the important point is that in the aping of the physical sciences, the social disciplines have become narrow specialties; as in the physical sciences, no one reads the classics in the field or indeed is familiar with the history of the discipline further back than this year's journal articles. No one writes systematic treatises anymore; systematic presentations are left for jejune textbooks, while the "real" scholars in the field spend their energy on technical minutiae for the professional journals.

We have seen that even the physical sciences have their problems from un-

critical perpetuation of fundamental assumptions and paradigms; but in the social sciences and philosophy this aping of the methods of physical science has been disastrous. For while the social sciences were slow to change their fundamental assumptions in the past, they were eventually *able* to do so by pure reasoning and criticism of the basic paradigm. It took, for example, a long time for “marginal utility” economics to replace classical economics in the late nineteenth century, but it was finally done through such fundamental reasoning and questioning. But no systematic treatise—with one exception to be discussed below—has been written in economics, not a single one, since World War I. And if there are to be no systematic treatises, there can be no questioning of the fundamental assumptions; deprived of the laboratory testing that furnishes the ultimate checks on the theories of physical science, and now also deprived of the systematic use of reason to challenge fundamental assumptions, it is almost impossible to see how contemporary philosophy and social science can ever change the fundamental paradigms in which they have been gripped for most of this century. Even if one were in total agreement with the fundamental drift of the social sciences in this century, the absence of fundamental questioning—the reduction of every discipline to narrow niggling in the journals—would be cause for grave doubts about the soundness of the social sciences.

But if one believes, as the present author does, that the fundamental paradigms of modern, twentieth century philosophy and the social sciences have been grievously flawed and fallacious from the very beginning, including the aping of the physical sciences, then one is justified in a call for a radical and fundamental reconstruction of all these disciplines, and the opening up of the current specialized bureaucracies in

the social sciences to a total critique of their assumptions and procedures.

Of all the social sciences, economics has suffered the most from this degenerative process. For economics is erroneously considered the most “scientific” of the disciplines. Philosophers still read Plato or Kant for insights into truth; political theorists still read Aristotle and Machiavelli for the same reason. But no economist reads Adam Smith or James Mill for the same purpose any longer. History of economic thought, once required in most graduate departments, is now a rapidly dying discipline, reserved for antiquarians alone. Graduate students are locked into the most recent journal articles, the reading of economists published before the 1960’s is considered a dilettantish waste of time, and any challenging of fundamental assumptions behind current theories is severely discouraged. If there is any mention of older economists at all, it is only in a few perfunctory brush strokes to limn the precursors of the current Great Men in the field. The result is not only that economics is locked into a tragically wrong path, but also that the truths furnished by the great economists of the past have been collectively *forgotten* by the profession, lost in a form of Orwellian “memory hole.”

Of all the tragedies wrought by this collective amnesia in economics, the greatest loss to the world is the eclipse of the “Austrian School.” Founded in the 1870’s and 1880’s, and still barely alive, the Austrian School has had to suffer far more neglect than the other schools of economics for a variety of powerful reasons. First, of course, it was founded a century ago, which in the current scientistic age, is in itself suspicious. Secondly, the Austrian School has from the beginning been self-consciously *philosophic* rather than “scientistic”; far more concerned with methodology and epistemology than other modern econo-

mists, the Austrians early arrived at a principled opposition to the use of mathematics or of statistical "testing" in economic theory. By doing so, they set themselves in opposition to all the positivistic, natural-science-imitating trends of this century. It meant, furthermore, that Austrians continued to write fundamental treatises while other economists were setting their sights on narrow, mathematically oriented articles. And thirdly, by stressing the individual and his choices, both methodologically and politically, the Austrians were setting themselves against the holism and statism of this century as well.

These three radical divergences from current trends were enough to propel the Austrians into undeserved oblivion. But there was another important factor, which at first might seem banal: the language barrier. It is notorious in the scholarly world that, "language tests" to the contrary notwithstanding, no American or English economists or social scientists can *really* read a foreign language. Hence, the acceptance of foreign-based economics must depend on the vagaries of translation. Of the great founders of the Austrian School, Carl Menger's work of the 1870's and 1880's remained untranslated into English until the 1950's; Menger's student Eugen von Böhm-Bawerk fared much better, but even his completed work was not translated until the late 1950's. Böhm-Bawerk's great student, Ludwig von Mises, the founder and head of the "neo-Austrian" school, has fared almost as badly as Menger. His classic *Theory of Money and Credit*, published in 1912, which applied Austrian economics to the problems of money and banking, and which contained the seeds of a radically new (and still largely unknown) theory of business cycles, was highly influential on the Continent of Europe, but remained untranslated until 1934. By that time Mises' work was to be quickly buried

in England and the United States by the fervor of the "Keynesian Revolution," which was at opposite poles from Mises' theory. Mises' book of 1928, *Geldwertstabilisierung und Konjunkturpolitik*, which predicted the Great Depression on the basis of his developed business cycle theory, remains untranslated to this day. Mises' monumental systematic treatise, *National-ökonomie*, integrating economic theory on the grounds of a sound basic epistemology, was overlooked also from its being published in 1940, in the midst of war-torn Europe. Again its English translation as *Human Action* (1949) came at a time when economics had set its methodological and political face in a radically different direction, and therefore Mises' work, as in the case of other challenges to fundamental paradigms in science, was not refuted or criticized but simply ignored.

Thus, while Ludwig von Mises was acknowledged as one of Europe's most eminent economists in the 1920's and 30's, the language barrier shut off any recognition of Mises in the Anglo-American world until the mid-1930's; then, just as his business cycle theory was beginning to achieve renown as an explanation for the Great Depression, Mises' overdue recognition was lost in the hoopla of the Keynesian Revolution. A refugee deprived of his academic or social base in Europe, Mises emigrated to the United States at the mercy of his new-found environment. But while, in the climate of the day, the leftist and socialist refugees from Europe were cultivated, fêted, and given prestigious academic posts, a different fate was meted out to a man who embodied a methodological and political individualism that was anathema to American academia. Indeed, the fact that a man of Mises' eminence was not offered a single regular academic post, and that he was never able to teach in a prestigious graduate department in this country, is one

of the most shameful blots on the none too illustrious history of American higher education. The fact that Mises himself was able to preserve his great energy, his remarkable productivity, and his unfailing gentleness and good humor in the face of this shabby treatment is simply one more tribute to the qualities of this remarkable man whom we now honor on his 90th birthday.

Agreed then that Ludwig von Mises' writings are the embodiment of a courageous and eminent man hewing to his discipline and to his vision unheeding of shabby maltreatment. Apart from this, what substantive truths do they have to offer an American in 1971? Do they present truths not found elsewhere and therefore do they offer intrinsic interest beyond the historical record of a fascinating personal struggle? The answer—which obviously cannot be documented in the compass of this article—is simply and startlingly this: that Ludwig von Mises offers to us nothing less than the complete and developed *correct paradigm* of a science that has gone tragically astray over the last half-century. Mises' work presents us with the correct and radically divergent alternative to the flaws, errors, and fallacies which a growing number of students are sensing in present-day economic orthodoxy. Many students *feel* that there is something very wrong with contemporary economics, and often their criticisms are trenchant, but they are ignorant of any theoretical alternative. And, as Thomas Kuhn has shown, a paradigm, however faulty, will not be discarded until it can be replaced by a competing theory. Or, in the vernacular, "you can't beat something with nothing," and "nothing" is all that many present-day critics of economic science can offer. But the work of Ludwig von Mises furnishes that "something"; it furnishes an economics grounded not on the aping of physical science, but on the very nature of man and of individual choice. And it

furnishes that economics in a systematic, integrated form that is admirably equipped to serve as a correct paradigmatic alternative to the veritable *crisis situation*—in theory and public policy—that modern economics has been bringing down upon us. It is not exaggeration to say that Ludwig von Mises is the Way Out of the methodological and political dilemmas that have been piling up in the modern world. But what is needed now is a host of "Austrians" who can spread the word of the existence of this neglected path.

Briefly, Mises' economic system—as set forth particularly in his *Human Action*—grounds economics squarely upon the Axiom of Action: on an analysis of the primordial truth that individual men exist and act, *i.e.* make purposive choices among alternatives. Upon this simple and evident axiom of action Ludwig von Mises deduces the entire systematic edifice of economic theory, an edifice that is as true as the basic axiom and the fundamental laws of logic. The entire theory is the working out of methodological individualism in economics, the nature and consequences of the choices and exchanges of individuals. Mises' uncompromising devotion to the free market, his opposition to every form of statism, stems from his analysis of the nature and consequences of individuals acting freely on the one hand, as against governmental coercive interference or planning on the other. For, basing himself on the action axiom, Mises is able to show the happy consequences of freedom and the free market in social efficiency, prosperity, and development; as against the disastrous consequences of government intervention in poverty, war, social chaos, and retrogression. This political consequence alone, of course, makes the methodology as well as the conclusions of Misesian economics anathema to modern social science.

As Mises puts it:

Princes and democratic majorities are drunk with power. They must reluctantly admit that they are subject to the laws of nature. But they reject the very notion of economic law. Are they not the supreme legislators? In fact, economic history is a long record of government policies that failed because they were designed with a bold disregard for the laws of economics.

It is impossible to understand the history of economic thought if one does not pay attention to the fact that economics as such is a challenge to the conceit of those in power. An economist can never be a favorite of autocrats and demagogues. With them he is always the mischief-maker. . . .

In the face of all this frenzied agitation it is expedient to establish the fact that the starting point of all praxeological and economic reasoning, the category of human action, is proof against any criticisms and objections. . . . From the unshakable foundation of the category of human action praxeology and economics proceed step by step by means of discursive reasoning. Precisely defining assumptions and conditions, they construct a system of concepts and draw all the inferences implied by logically unassailable ratiocination.⁵

And again:

The laws of the universe about which physics, biology, and praxeology [essentially economics] provide knowledge are independent of the human will, they are primary ontological facts rigidly restricting man's power to act. . . .

Only the insane venture to disregard physical and biological laws. But it is quite common to disdain economic laws. Rulers do not like to admit that their power is restricted by any laws other than those of physics and biology. They never ascribe their failures and frustrations to the violation of economic law.⁶

A notable feature of Mises' analysis of

"interventionism"—of government intervention in the economy—is that it is fundamentally what could now be called "ecological"; for it shows that an act of intervention generates unintended consequences and difficulties, which then present the government with the alternative: either more intervention to "solve" these problems, or repeal of the whole interventionist structure. In short, Mises shows that the market economy is a finely constructed, interrelated web; and coercive intervention at various points of the structure will create unforeseen troubles elsewhere. The logic of intervention, then, is cumulative; and so a mixed economy is unstable—always tending either toward full-scale socialism or back to a free-market economy. The American farm-price support program, as well as the New York City rent-control program, are almost textbook cases of the consequences and pitfalls of intervention. Indeed, the American economy has virtually reached the point where the crippling taxation, the continuing inflation, the grave inefficiencies and breakdowns in such areas as urban life, transportation, education, telephone and postal service, the restrictions and shattering strikes of labor unions, the accelerating growth of welfare dependency, all have brought about the full-scale crisis of interventionism that Mises has long foreseen. The instability of the interventionist welfare-state system is now making fully clear the fundamental choice that confronts us between socialism on the one hand and free-market capitalism on the other.

Perhaps the most important single contribution of von Mises to the economics of intervention is also the one most grievously neglected in the present day: his analysis of money and business cycles. We are living in an age when even those economists supposedly most devoted to the free market are willing and eager to see the state monop-

lize and direct the issuance of money. Yet Mises has shown that

1. there is never any social or economic benefit to be conferred by an increase in the supply of money;
2. the government's intervention into the monetary system is invariably inflationary;
3. therefore government should be separated from the monetary system, just as the free-market requires that government not intervene in any other sphere of the economy.

Here Mises emphasizes that there is only one way to ensure this freedom and separation: to have a money that is also a useful *commodity*, one whose production is like other commodities subject to the supply and demand forces of the market. In short, that commodity money—which in practice means the full gold standard—shall replace the fiat issue of paper money by the government and its controlled banking system.⁷

Mises' brilliant theory of the business cycle is the only such theory to be integrated with the economists' general analysis of the pricing system and of capital and interest. Mises shows that the business cycle phenomenon: the recurring alternations of boom and bust with which we have become all too familiar, cannot occur in a free and unhampered market. Neither is the business cycle a mysterious series of random events to be checked and counteracted by an ever-vigilant central government. On the contrary, the business cycle is *generated* by government: specifically, by bank credit expansion promoted and fueled by governmental expansion of bank reserves. The present-day "monetarists" have emphasized that this credit expansion process inflates the money supply and therefore the price level; but they have totally neglected the crucial Misesian insight that an even more damaging consequence is distortion of the whole system of prices and production. Specifically, expansion of bank money

causes an artificial lowering of the rate of interest, and an artificial and uneconomic overinvestment in capital goods: machinery, plant, industrial raw materials, construction projects. As long as the inflationary expansion of money and bank credit continues, the unsoundness of this process is masked, and the economy can ride on the well-known euphoria of the boom; but when the bank credit expansion finally stops, as stop it must if we are to avoid a runaway inflation, then the day of reckoning will have arrived. For without the anodyne of continuing inflation of money, the distortions and misallocations of production, the overinvestment in uneconomic capital projects and the excessively high prices and wages in those capital goods industries, become evident and obvious. It is then that the inevitable recession sets in, the recession being the reaction by which the market economy readjusts itself, liquidates the unsound investments, and realigns the prices and outputs of the economy so as to eliminate the unsound consequences of the boom. The recovery arrives when the readjustment has been completed.

It is clear that the policy prescriptions stemming from the Misesian theory of the business cycle are the diametric opposite of the "post-Keynesian" policies of modern orthodox economics. If there is an inflation, the Misesian prescription is, simply, for the government to *stop* inflating the money supply. When the inevitable recession occurs, in contrast to the modern view that the government should rush in to expand the money supply (the monetarists) or to engage in deficit spending (the Keynesians), the Austrians assert that the government should keep its hands off the economic system—should, in this case, allow the painful but necessary adjustment process of the recession to work itself out as quickly as possible. At best, generating

another inflation to end the recession will simply set the stage for another, and deeper, recession later on; at worst, the inflation will simply delay the adjustment process and thereby prolong the recession indefinitely, as happened tragically in the 1930's. Thus, while current orthodoxy maintains that the business cycle is caused by mysterious processes within the market economy and must be counteracted by an active government policy, the Mises theory shows that business cycles are generated by the inflationary policies of government, and that, once under way, the best thing that government can do is to leave the economy alone. In short, the Austrian doctrine is the only *consistent* espousal of *laissez-faire*; for, in contrast to other "free-market" schools in economics, Mises and the Austrians would apply *laissez-faire* to the "macro" as well as the "micro" areas of the economy.

If interventionism is invariably calamitous and self-defeating, what of the third alternative: socialism? Here Ludwig von Mises is acknowledged to have made his best-known contribution to economic science: his demonstration, over fifty years ago, that socialist central planning was irrational, since socialism could not engage in that "economic calculation" of prices indispensable to any modern, industrialized economy. Only a true market, based on private ownership of the means of production and on the exchange of such property titles, can establish such genuine market prices, prices which serve to allocate productive resources—land, labor, and capital—to those areas and fields which will most efficiently satisfy the demands of consumers. But Mises showed that even if the government were willing to forget consumer desires, it could not even allocate efficiently for its *own* ends without a market economy to set prices and costs. Mises was hailed even by socialists for being the first to raise

the whole problem of rational calculation of prices in a socialist economy; but socialists and other economists erroneously assumed that Oskar Lange and others had satisfactorily solved this calculation problem in their writings of the 1930's. Actually, Mises had anticipated the Lange "solutions" and had refuted them in his original article.⁸

It is highly ironic that, no sooner had the economics profession settled contentedly into the notion that Mises' charge had been refuted, when the Communist countries of Eastern Europe began to find, pragmatically and much against their will, that socialist planning was indeed unsatisfactory, especially as their economies were becoming industrialized. Beginning with Yugoslavia's breakaway from state planning in 1952, the countries of Eastern Europe have been heading with astonishing rapidity away from socialist planning and toward free markets, a price-system, profit-and-loss tests for enterprises, etc. Yugoslavia has been particularly determined in its cumulative shift toward a free market, and away even from state control of investments—the last government stronghold in a socialistic economy. It is unfortunate but not surprising that, neither in the East nor in the West, has Ludwig von Mises' name been brought up as the prophet of the collapse of central planning.⁹

If it is becoming increasingly evident that the socialist economies are collapsing in the East, and, on the other hand, that interventionism is falling apart in the West, then the outlook is becoming increasingly favorable for both East and West to turn before very long to the free market and the free society. For this courageous and devoted champion of liberty, there could be no more welcome prospect in his ninetieth year. But what should never be forgotten is that these events are a confirmation and a vindication of the stature of Ludwig von

Mises, and of the importance of his contribution and his role. For Mises, almost single-handed, has offered us the correct paradigm for economic theory, for social science, and for the economy itself, and it is high time that this paradigm be embraced, in all of its parts.

There is no more fitting conclusion to a tribute to Ludwig von Mises than the moving last sentences of his greatest achievement, *Human Action*:

The body of economic knowledge is an essential element in the structure of human civilization; it is the foundation upon which modern industrialism and all the moral, intellectual, technological,

and therapeutical achievements of the last centuries have been built. It rests with men whether they will make the proper use of the rich treasure with which this knowledge provides them or whether they will leave it unused. But if they fail to take the best advantage of it and disregard its teachings and warnings, they will not annul economics; they will stamp out society and the human race.¹⁰

Thanks in no small measure to the life and work of Ludwig von Mises, we can realistically hope and expect that mankind will choose the path of life, liberty, and progress, and will at last turn decisively away from death and despotism.

¹Philosophically, Kuhn tends to deny the existence of objective truth and therefore denies the possibility of genuine scientific progress. Thomas S. Kuhn, *The Structure of Scientific Revolutions* (2nd. ed., Chicago: University of Chicago Press, 1970 (first ed. 1962)).

²On the sociology of the reception of Velikovsky in the scientific community, see Alfred de Grazia, "The Scientific Reception Systems," in A. de Grazia, ed., *The Velikovsky Affair* (New Hyde Park, N.Y.: University Books, 1966), pp. 171-231.

³Kuhn, *op. cit.*, pp. 53-56.

⁴DeGrazia, *op. cit.*, p. 197.

⁵Ludwig von Mises, *Human Action* (New Haven, Conn.: Yale University Press, 1949), p. 67.

⁶*Ibid.*, pp. 755-56. As Mises indicates, the revolt against economics as the harbinger of a free-market economy is as old as the classical economists whom Mises acknowledges as his forebears. It is no accident, for example, that George Fitzhugh, the foremost Southern apologist for slavery and one of America's first sociologists, brusquely attacked classical economics as "the science of free society," while upholding socialism as "the science of slavery." See George Fitzhugh, *Cannibals All!* (ed. by C. Vann Woodward, Cambridge: Harvard University Press, 1960), p. xviii; and Joseph Dorfman, *The Economic Mind in American*

Civilization (New York: Viking Press, 1946), II, 929. On the statist and anti-individualist bias embedded deep in the foundations of sociology, see Leon Bramson, *The Political Context of Sociology* (Princeton, N.J.: Princeton University Press, 1961), esp. pp. 11-17.

⁷Thus, see Ludwig von Mises, *The Theory of Money and Credit* (Irvington-on-Hudson, N.Y.: Foundation for Economic Education, 1971).

⁸Mises' classic article was translated as "Economic Calculation in the Socialist Commonwealth," in F. A. Hayek, ed., *Collectivist Economic Planning* (London: George Routledge & Sons, 1935), pp. 87-130. Mises' and other articles by Lange and Hayek are reprinted in Morris Bornstein, ed., *Comparative Economic Systems* (rev. ed., Homewood, Ill.: Richard D. Irwin, 1969). An excellent discussion and critique of the whole controversy may be found in Trygve J. B. Hoff, *Economic Calculation in the Socialist Society* (London: William Hodge, 1949).

⁹On Yugoslavia, see Rudolf Bicanic, "Economics of Socialism in a Developed Country," in Bornstein, *op. cit.*, pp. 222-35; on the other countries of Eastern Europe, see Michael Gamarnikow, *Economic Reforms in Eastern Europe* (Detroit: Wayne State University Press, 1968).

¹⁰Mises, *Human Action*, p. 881.

Paternalism, Economics and the Welfare State

ARTHUR KEMP

Welfare, Welfare everywhere;
And all the funds did shrink.
Welfare, welfare everywhere;
And no one stopped to think.

(With apologies to Samuel Taylor Coleridge's *The Rime of the Ancient Mariner*.)

ALL MODERN governments, whether basically oriented toward central planning and socialism or toward a market system, carry on an extended list of activities aimed at providing certain goods and services to which we may loosely apply the term "welfare." Although not exhaustive, welfare activities include pensions, public assistance, disability payments, housing, education, health services, and a myriad of programs for the avowed purpose of alleviating poverty. Indeed, there seems to be no limit to what may be included in the list.

Surely it would be convenient if there were generally accepted, clearly delineated, meanings of the words and concepts we use. Particularly is this true of such terms as "welfare" and "the welfare state." "Welfare" is a "good" word; it conjures up a condition of well-being—a sense of eu-

phoria—and forestalls much of the intellectual opposition which might result from other words or phrases. We speak too frequently, and too eloquently, of public welfare, private welfare, social welfare, economic welfare—and so on *ad nauseam*.

The couplet with which this essay began was meant to be taken seriously; it is also meant to infer that welfare activities constitute an albatross round the collective neck of Western civilization. But poetic license must at times be placed above literal truth, so it is not strictly correct. Some men did stop to think; and even to write. Among them, not surprisingly, was Professor Ludwig von Mises who, with his customary perspicacity, lashed out at the heart of the matter, with unerring aim and the gentleness of a bull whip:¹