

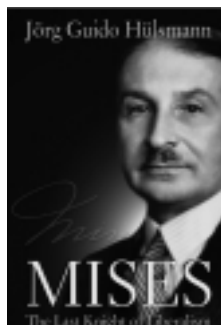
Book Reviews

Mises: The Last Knight of Liberalism

by Jörg Guido Hülsmann

Ludwig von Mises Institute • 2007 • 1143 pages • \$50.00

Reviewed by Bettina Bien Greaves



Biographer Guido Hülsmann has written a magnificent book, describing in detail not only the life of Ludwig von Mises, but also his writings, his intellectual development, and his importance. Hülsmann studied all Mises's works in German, English, and French, and the biographer's fluency served him well. He traveled widely to locate Mises's papers, files, personal correspondence, and documents and did vast research into his life and background.

First and foremost, the book covers Mises's great contributions to economic understanding. He was not the most popular, renowned, or influential economist of the twentieth century, but was undoubtedly the most important. Perhaps his greatest contribution was the development of subjective-value economics as a science of reason, logic, and immutable laws. He explained all economic phenomena as outcomes of people's actions, choices, and decisions on the basis of their respective subjective values. Those actions generate prices, production, money, trade channels, markets, wages, interest rates, capital goods, savings, investments, competition, profits, losses, and more.

Mises's second important contribution was in the field of money and the monetary theory of the trade cycle. In his first theoretical book he explained that money was a market phenomenon. It developed out of barter as individuals, seeking to improve their personal situations, traded with one another. Each trader was attempting to exchange something he possessed for something he preferred more. Eventually, some individual ventured to offer what he had for something he could use, not immediately but in a later trade. Other would-be traders attempted similar exchanges. In time,

people began to accept a readily tradable commodity as a medium of exchange—money.


Mises also described how inflation (monetary expansion) fostered by the banks leads to widespread price increases, economic malinvestment, and then inevitably, when the banks stopped inflating, the collapse of businesses, economic stagnation, and a readjustment of prices. Thus Mises—in 1912—laid the groundwork for understanding the economic crises and boom/bust cycles that have plagued capitalistic economies.

Mises's third significant contribution was his analysis of socialism, considered “the wave of the future” in the early 1920s. In a socialist society all property would be owned and controlled by the state. Thus there would be no market and no market prices reflecting buyers' and sellers' bids and offers for property. Without market prices for either consumer's or producer's goods, government “planners” would have no guidance as to what people wanted and did not want, and no way to know when, where, and how best to produce anything. In short, there could be no economic planning.

Hülsmann describes the life and times of Mises in his native Austria—his family, cultural, and historical background. Mises grew up in a world in which almost everybody was an interventionist or socialist. He confessed later that when he entered the university he was “a complete statist.” Then in 1903 he read Carl Menger's *Principles of Economics*, which introduced him to the subjective value theory and turned Mises's thoughts in an entirely new direction; he said it “made an economist” of him.

Hülsmann tells about Mises's search after World War I for a position in which he could not only earn his living but also pursue his interest in economics. In 1918 he joined the Austrian government's advisory Chamber of Commerce. While with the Chamber he was able to continue his study of economics. He also taught at the University of Vienna as an unsalaried lecturer with the title of Professor Extraordinary, conducted a private economic seminar, and established the Austrian Institute for Business Cycle Research. In 1922, as economic adviser to the Austrian government, he was influential in halting the Austrian inflation before it reached such a disastrous level as in Germany.

Mises was always writing—newspaper articles, economic papers, and books on nationalism, socialism, liberalism, epistemology, money, and economic crises. His entire life was dedicated to trying to improve his own understanding of economics and to explain to others how the market operates. By quoting from Mises's books, papers, and correspondence, Hülsmann does a masterful job of showing how Mises gradually refined his ideas and improved his explanations.

Hülsmann's biography portrays a man of principle who was dedicated to pursuing the truth. By dint of his studies, he transformed himself into a powerful advocate of peaceful social cooperation and the free market. The book is fascinating reading for anyone interested in Mises, the person, the economist, the libertarian. 

Bettina Bien Greaves (bbgreaves@aol.com) served FEE for more than four decades as a senior staff member and resident scholar.

The Shock Doctrine: The Rise of Disaster Capitalism

by Naomi Klein

Metropolitan Books/Picador • 2007/2008 • 576 pages •
\$28.00 hardcover; \$16.00 paperback

Reviewed by Joseph R. Stromberg



The core thesis of Naomi Klein's *Shock Doctrine* is that American foreign and domestic policies of the last 30 years have shaped a new corporatism. Corporatism, Klein writes, “originally referred to Mussolini’s model of a police state run as an alliance of . . . government, businesses and trade unions . . . in the name of nationalism.” Latter-day corporatism involves “a huge transfer of wealth from public to private hands, followed by a huge transfer of private debts into public hands.” Neo-liberal corporatism “erases the boundaries between Big Government and Big Business,” while organized labor—indeed all labor—is locked out of the new arrangements.

Klein’s case is tightly organized, well presented, and overwhelming in cumulative impact. She makes a complex argument dealing with what are, indeed, complicated matters. Some reviewers complain that

Klein forces the evidence into a pattern. They say her treatment of the views of certain psychologists, economists, and military planners and her comparative account of how those views are (were) implemented, are “unfair,” especially to the economists. But Klein rightly pursues the ideas in question across these fields of knowledge (and action) by *analogy*—a perfectly good Aristotelian and Thomistic procedure. “Hooding” a captive and “blacking out” an entire city by bombing *are* analogous, because they are done *for the same reason*—to disorient and confuse, and so on, through further stages of comparison.

The said psychologists, economists, and military planners dwell endlessly on certain themes because they see the world as a manipulable object and proceed from shared mechanistic, Hobbesian, positivist premises, whereby actual people are mere atoms, objects, or empty ciphers on indifference curves. We cannot be surprised that these experts’ activities complement one another in real life and reveal an indifference to “unforeseen consequences,” while a kind of mathematical Platonism underlies the supposedly “empirical” performances. Shared themes include “shock,” “shock therapy,” crises as experimental opportunities, and “clean slates” (Hobbes’s “clean paper”) on which to plot out new worlds. *They* talk this way; Klein makes nothing up.

Klein follows these common threads from the “free-market” Chilean tyranny, through Mrs. Thatcher’s rather mixed reforms, phony “privatizations” in Poland and Russia, the half-mad U.S. invasion of Iraq, with more phony “privatizations,” dispossession of smallholders in Sri Lanka, and “state failure” in New Orleans, where school vouchers were imposed while the city rotted.


The Sri Lankan case must suffice here. There, long-established fishermen, having survived the tsunami, were barred from their beach holdings, so that resort hotels favored by the World Bank, U.S. operatives, and investors might expand. This is precisely what a Chicago Law and Economics (Coasean) judge would do. The fishermen are “socially inefficient.” They got no “growth.” Away with their land! They may come back in the reformed “free market” as waiters and busboys.

One key to the new order, I would add, is this: By excluding war-making capacity (“defense”) from the concept of “state” *by implicit definition*, Republican “anti-statists” create a desert mirage. We can wrangle over smaller government any time; no one can reasonably hold that we are getting such a thing *now* from those in power, sundry “privatizations” notwithstanding.

Klein somewhat overplays the verbal opposition of “public” and “private.” The current rulers set up expensive contractors to coordinate already expensive defense-industry suppliers. This done, the contractors—clothed in state power—are no longer exactly “private”; neither are they “public” like the post office. Our “free market” reformers may answer for any conceptual confusion. And here, Klein may not see that the contractor fad is partly about empowering the Unitary Executive—shielding its operations from congressional oversight. But she is quite right to see numerous threats to democracy.

I would add that *imposing* “spontaneous orders” by debt-leveraging, “privatization,” or invasion amounts to right-wing social engineering—not an especially “conservative” vocation. Neither are “privatizations”—amounting to confiscations on the scale of Henry VIII—*conservative*. Our current regime calls to mind institutionalized Whig corruption after 1689, when (in E. P. Thompson’s phrase) England was a “banana republic,” everything was for sale, and income migrated upwards via the state.

There are some problems of language throughout the book. Reading it, one might think the author deplores any conceivable free markets whatsoever. Klein uses “capitalism” and “free market” to refer to *assertions* made by policymaking ideologues merchandising *corporatist* and imperial policies. I wish she had somehow separated official rhetoric from other possible, face-value meanings of these words, by putting them in quotes or occasionally writing “state-capitalist.”

This is, in any case, an important, insightful book. Klein’s specific critique of new-wave corporatism outweighs any disagreements some might have with her “third way” politics. Accordingly, I hope people *read* the book before falling into predictable, knee-jerk reactions. 

Joseph R. Stromberg (jrstromberg@charter.net) is an independent historian and writer living in Alabama.

The Medicalization of Everyday Life: Selected Essays

by Thomas Szasz

Syracuse University Press • 2007 • 168 pages • \$19.95

Reviewed by Ross Levatter



Thomas Szasz’s most recent book is, in a sense, not recent at all. *The Medicalization of Everyday Life* is a compilation of 16 essays Szasz published over the last third of a century. Recent or not, these essays are still quite valuable.

There was a time when people led rich lives, filled with mistakes and successes, bad habits and good ones, cowardice and heroism. Now lives are simply filled with a variety of ailments, most of them psychiatric, that cause us to act in cowardly, evil, or mistaken ways. Were it not for narcissistic personality disorder and neuroses, schizophrenia and separation anxiety disorder, paranoia and panic disorder, life would be grand. It’s only mental disease that separates us from nirvana, and we place our faith in psychiatry and psychopharmacology to bring us to the promised land.

While we wait, we follow the new rules. We’re used to doctors telling us what to do. That’s how they help us get better. As more and more aspects of everyday life are viewed as types of illness, doctors try to become more and more helpful by promulgating more rules. They morph into powerful bureaucrats, often backed by the force of law.

Szasz describes this process as it has occurred over the last half of his professional lifetime. The change in the past few decades has been striking. Szasz makes this point by telling us about a psychiatric symposium he attended in 1973. He listened to discussions by psychiatrists “proving” that alcoholism was genetically determined and noticed that (as was then fashionable) the vast majority of psychiatrists in attendance were smoking cigars or cigarettes.

Szasz says: “When my turn came to speak, I asked why, if alcoholism is a mental disease, is nicotineism not also a mental disease?” This, he argued, is because most psychiatrists like to smoke but do not drink to excess. And since they control what counts as disease, they do

not place their favorite pastimes in the disease category. Looking back 34 years later, we find the profession responds to outside pressures; the desire to smoke has become yet another mental illness since psychiatrists themselves have largely given up the habit.

This compilation contains several rare pieces most Szasz admirers have not previously seen. These include his thoughts on routine neonatal circumcision, his evaluation of the Terri Schiavo case, and his hostile view of philosopher Peter Singer's ethics of medicalization. (Singer is the philosopher who argues that lower life forms have rights, not just humans.)

The book also includes an excellent essay on the history of psychiatry, originally published in the journal *History of Psychiatry*, which Szasz subsequently expanded into a major book, *Coercion as Cure*.


Although many of the essays deal with specific issues, there are also some excellent general essays that introduce new readers to Szasz's approach to medicine and psychiatry. These include such classics as "Mental Illness: A Metaphorical Disease," "Diagnoses Are Not Diseases," and "Hysteria as Language."

Szasz is perhaps best known for his views that psychiatry has become an excuse factory for criminality and a justification for authoritarian treatment of people who have committed no crime. The book contains two famous articles on those topics, "Psychiatry's War on Criminal Responsibility," and "Pharmacocracy: The New Despotism."

For libertarians the most controversial essay is apt to be Szasz's analysis of the Terry Schiavo case. He describes her as "half-alive" (dead brain, living body). I would restrict terms like "half-alive" to patients with, say, cord lesions rendering them with a living upper half and "dead" lower half. My personal take is that dead brain means one is dead, even when, as in the case of a persistent vegetative state, the body still has a heart that beats and lungs that breathe.

Szasz argues that the family's desire to maintain their daughter on life support should have prevailed, at least if they were willing to cover the costs, and that her husband had clear motives for desiring her death. But after decades of psychiatric practice, Szasz should be aware that parents don't always have their children's best interests at heart. He also should know that children of very

religious parents are not always that religious themselves, yet frequently hide this fact. Thus it is not inconceivable that Michael Schiavo spoke truthfully in saying that, contrary to her religion, Terry didn't want to live that way. Why didn't he speak up earlier? Perhaps he had hoped that she'd revive. I see the issue as more morally ambiguous than Szasz does, but his discussion is nonetheless stimulating and based, as always, on libertarian principles.

The Medicalization of Everyday Life is a great introduction, or re-introduction, to the deep insights and delightful prose of Thomas Szasz. You won't regret the time you invest in this book. 

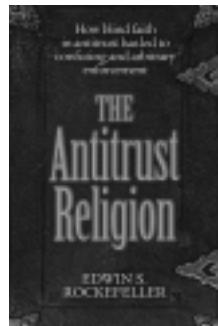
Dr. Levatter (rlevatter@mac.com) was the recipient of the Thomas S. Szasz Award for Outstanding Contributions to the Cause of Civil Liberties, Professional Category, in 2007.

The Antitrust Religion

by Edwin S. Rockefeller

Cato Institute • 2007 • 124 pages • \$16.95

Reviewed by George Leef



Many years ago when I was in law school, I listened to a talk by a fellow student on antitrust law. Right at the beginning of his presentation, he earnestly stated that the antitrust laws were a "charter of freedom." I was probably the only person in the room who winced. That "charter of freedom" line is an item of faith among most people (and nearly all lawyers) who have been told that antitrust laws protect companies—and thereby consumers—from the monopolistic designs of greedy business tycoons.

The reason I winced was that I knew that line is nonsense. As an undergraduate I had read Dominick Armentano's iconoclastic book, *The Myths of Antitrust*, and understood that antitrust, far from protecting freedom, is an assault on it. Armentano subjected to withering analysis the naïve belief that antitrust law is necessary to the preservation of free markets. Had my classmate read that book, he'd have known how foolish his remarks were.

Since Armentano's seminal work, there have been other scholarly critiques of antitrust. The most recent is Edwin Rockefeller's *The Antitrust Religion*. Rockefeller has impeccable credentials to write such a book. He is a lawyer who has served on the staff of the Federal Trade Commission, chaired the American Bar Association's antitrust section, and taught at Georgetown Law School. Instead of writing the kind of book you might expect from someone with that background—a dense treatise with in-depth analysis of dozens of cases—Rockefeller has given us a concise book that anyone can easily read. He doesn't try to cover all the many erroneous doctrines of antitrust, but only to prove his thesis that “antitrust is not consistent with our aspirations for a rule of law.” And why is that? Rockefeller explains, “[A]ntitrust enforcement is arbitrary political regulation of commercial activity, not enforcement of a coherent set of rules.”

That is to say, antitrust is the rule of *men*, not of *laws*.

Coming back to the book's title, Rockefeller argues that antitrust has all the trappings of a religion. It's accepted as a matter of faith and is built around a number of myths.

The central myth is one blindly accepted by almost all educated Americans. They have heard that the evil Standard Oil Company had a virtual monopoly in the oil business, causing government authorities to break up the gigantic, dangerous firm. If you believe that, the rest of the antitrust catechism falls neatly into place: We need government officials to constantly monitor business activity and to stop the ever-present threat of monopoly.


Rockefeller shows that the accepted Standard Oil tale is as baseless as a Halloween scare story. During the time of Standard's supposed market dominance, the price of refined petroleum products continually fell and competitors—yes, there were quite a few—steadily chipped away at Standard's market share. *There was no problem.*

The antitrust religion thrives on false history and encourages confused thinking. True believers call for antitrust enforcement to prevent the kinds of competitive “injury” that is inevitable under capitalism. “Belief in antitrust,” Rockefeller writes, “is based on a kind of competition in which some win but none lose.”

But why does our author contend that antitrust is not really “law” at all? Because true law must be *knowable* so people can adjust their behavior in order to avoid legal difficulties. Antitrust, however, is so vague that people can never be certain that they won't be prosecuted for “attempted monopolization” whenever they compete vigorously. The rule of antitrust authorities is like that of a capricious dictator.

Rockefeller is absolutely correct that antitrust is not compatible with the rule of law. It was America's first instance of law so vaguely written that people didn't know what it meant. Unfortunately, since then it has been joined by others, as politicians enact legislation that in effect says to bureaucrats and judges, “Here are a few broad objectives—now you figure out what to do to achieve them.”

Despite his solid case that antitrust is wasteful and counterproductive, Rockefeller holds out no hope that we will escape from its clutches. The religion is just too deeply ingrained, and opinion leaders see it as a component of “social justice.” And even if we somehow repealed the antitrust statutes starting with the Sherman Act, that might make things worse because of the existence of the Federal Trade Commission, which has been invested with broad, open-ended powers to regulate business “for the public interest.” That's just as vague as a statute that makes it illegal to “attempt to monopolize.”

The only way to root out the antitrust religion is to teach people the truth about capitalism. 

George Leef (georgeleef@aol.com) is book review editor of *The Freeman*.