

Ayn Rand and Ludwig von Mises

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Ayn Rand and Ludwig von Mises share the distinction of being the leading advocates of laissez-faire capitalism in the twentieth century, and indeed, in any century. Their ideas are complementary and mutually reinforcing. The differences that exist between them are essentially minor and superficial. The serious and comprehensive study of both authors is essential to the educated advocacy of capitalism.

Rand provides by far the best treatment of the concepts of individual rights and freedom to be found anywhere, and demonstrates that capitalism is the only system that is consistent with individual rights and freedom. She also shows abstractly that individual rights and freedom derive from man's nature as a rational being—that they are conditions of existence required by his nature for his proper survival (Rand 1957, 1061).

Such demonstration is vital in providing an overall framework for one's thought and for the direction of one's thinking. It also has major specific applications, for example, to understanding when censorship does and does not exist and who can and cannot practice it, and what does and does not constitute monopoly and who can and cannot impose it. Rand (1964, 131–34) shows clearly that censorship is practiced by government, not by private individuals who choose not to publish or broadcast material they do not like. Her position implies that monopoly is imposed only by government (see Reisman 1996, 375–89).

Man's Life as the Standard of Value

However, even the clearest, most compelling exposition of the

nature of individual rights and freedom, which Rand provided, is not sufficient to make the case for capitalism. This is because, however ironically, in the absence of extensive knowledge of economic theory, as provided primarily by Ludwig von Mises, the advocacy of individual rights cannot long be maintained in the face of the conviction that their exercise is incompatible with the requirements of human survival. The irony here is the fact that the ultimate foundation of individual rights is Rand's principle of Man's life as the standard of morality and ethics (Rand 1957, 1012–15; see also "The Objectivist Ethics" in Rand 1964). Yet, in the minds of almost all of our contemporaries, essential features of capitalism are perceived as a threat to human survival (or at least to the survival of the overwhelming majority of men) and must be neutralized through the force of government.

For example, there is no more essential feature of capitalism than profit and the profit motive. Yet most people believe that in the absence of extensive labor legislation—in the form of minimum-wage, maximum-hours, and pro-union legislation—the profit motive would drive wages down to minimum subsistence, extend the hours of work to the maximum endurable, and impose horrendous working conditions. Such legislation is advocated, however mistakenly, in the name of the value of the life and well-being of the immense majority of people.

The advocacy of such legislation cannot be countered by appeals to the doctrine of individual rights. It is essential to show how the exercise of individual rights in the form of businessmen and capitalists saving and investing and seeking to make profits and avoid losses is not only not responsible for such things as low wages, long hours, and poor working conditions but is precisely the force that improves the economic conditions of everyone. Rand, of course, knows this, and asserts it, but she does not demonstrate it. It is Mises who demonstrates it.¹ And it is the same with respect to people's beliefs about a host of other matters, such as monopolies, mass unemployment and depressions.² What is required is the combination of the knowledge of what individual rights are and how their exercise actually does serve human life and well-being, all mistaken ideas to

the contrary notwithstanding.

Indeed, precisely Mises's support of "utilitarianism" and his efforts to make the case for capitalism in terms of its utility should be understood—at least ninety-five percent of the time—as brilliant and successful efforts on his part to demonstrate exactly how the exercise of individual rights by businessmen and capitalists does indeed meet the test of Man's life as the standard, for precisely human life and well-being are what is served by it, with flying colors.

Despite his frequently avowed subjectivism in the area of values, Mises repeatedly makes clear that his analysis is advanced from the perspective of Man's life as the standard of value. In *Human Action*, he writes: "While praxeology, and therefore economics too, uses the terms happiness and removal of uneasiness in a purely formal sense, liberalism attaches to them a concrete meaning. It presupposes that people prefer life to death, health to sickness, nourishment to starvation, abundance to poverty. It teaches man how to act in accordance with these valuations" (Mises 1996, 154).

In his earlier classic, *Socialism*, he writes: "[W]hoever prefers life to death, happiness to suffering, well-being to misery, must accept society. And whoever desires that society should exist and develop must also accept, without limitation or reserve, private ownership in the means of production" (Mises 1951, 515). By "society," of course, Mises means a division-of-labor, capitalist society, the division of labor being essential to the high and rising productivity of labor required to sustain and enrich the individual human being, and capitalism and private ownership of the means of production being essential to the existence of a division-of-labor society.

Mises's support both of Man's life as the standard of value and of egoism is clear in the following passages:

If it be claimed that rational behaviour, directed solely towards one's own good, should be called ethical too, and that we had to deal with individual ethics and with duties to oneself, we could not dispute it; indeed this mode of expression emphasizes perhaps better than ours, that in the last analysis the hygiene of the individual and social ethics are

based on the same reasoning. (452)

Nothing is gained when the teacher of morals constructs an absolute ethic without reference to the nature of man and his life. The declamations of philosophers cannot alter the fact that life strives to live itself out, that the living being seeks pleasure and avoids pain. All one's scruples against acknowledging this as the basic law of human actions fall away as soon as the fundamental principle of social co-operation is recognized. That everyone lives and wishes to live primarily for himself does not disturb social life but promotes it, for the higher fulfilment of the individual's life is possible only in and through society. This is the true meaning of the doctrine that egoism is the basic law of society. (402)

There are, to be sure, numerous passages in Mises's writings in which he clearly asserts that values are arbitrary and subjective. The following is an example:

A dictator may deem the conduct of the consumers rather foolish. Why should not women be dressed in uniforms like soldiers? Why should they be so crazy about individually fashioned clothes? He may be right from the point of view of his own value judgments. But the trouble is that valuation is personal, individual, and arbitrary. The democracy of the market consists in the fact that people themselves make their choices and that no dictator has the power to force them to submit to his value judgments.³ (Mises 1996, 387)

I believe that Mises's support for the doctrine that values are arbitrary and subjective is well-intentioned, as the above passage indicates. In upholding that doctrine, Mises correctly responds in a strongly negative way to the vicious mentality of collectivism. Unfortunately, he mistakenly believes that collectivism can base itself on seemingly objective values, and rather than yield to the moral outrage that is collectivism, he chooses to denounce the doctrine of

objective values instead.

Mises apparently did not realize it, and his “Objectivist” critics certainly do not realize it, but rejecting notions of the objectivity of values in the name of the freedom and independence of the individual—in the name of the sovereignty of the individual’s mind and judgment—is actually the *objectively* right thing to do in the face of the mistaken belief in the necessity of a choice, i.e., in the face of the acceptance of this false alternative. It is, as it were, Objectivism in the midst of seeming subjectivism.

Rand herself provides the principle for understanding what is involved, when she describes the attempt to impose the good by force, thereby violating the individual’s mind and free judgment, as a monstrous contradiction and compares it to an attempt to give a man a picture gallery at the price of gouging out his eyes (Rand 1965, 15–16). Mises was actually concerned with defending the most important of all objective values—the individual’s freedom—and, in a grievous error, believed that he needed to attack the objectivity of values in order to do so.⁴

Of course, once having made this error, he was led by logic to uphold the alleged subjectivism and arbitrariness of values as a matter of principle, and thus to do so in areas in which defying the collectivism was not the issue and in which doing so was simply wrong.

Nevertheless, Mises was no subjectivist in his advocacy of capitalism, to which he heroically dedicated his life in the face of massive hostility and condemnation to the point that virtually he alone among distinguished European scholars who fled the Nazis was not offered a post at an American university. His life was a very model of integrity. It was guided by a profoundly moral principle to which he consciously dedicated himself in his early years and then never abandoned. To wit:

In high school I had chosen a verse by Virgil as my motto: *Tu ne cede malis sed contra audentior ito* (“Do not give in to evil, but proceed ever more boldly against it.”) In the darkest hours of the [first world] war, I recalled this dictum. Again and again, I faced situations from which rational delibera-

tions could find no escape. But then something unexpected occurred that brought deliverance. I would not lose courage even now. I would do everything an economist could do. I would not tire in professing what I knew to be right. And so I decided to write a book on socialism which I had contemplated before the war. I now set about executing my old plan.⁵ (Mises 1978, 70)

Mises's Admiration for Rand

Mises greatly admired Rand and expressed his admiration in a personal letter to her, dated 23 January 1958 (see <<http://www.mises.org/etexts/misesatlas.pdf>>). In it, he wrote:

But "Atlas Shrugged" is not merely a novel. It is also—or may I say: first of all—a cogent analysis of the evils that plague our society, a substantiated rejection of the ideology of our self-styled "intellectuals" and a pitiless unmasking of the insincerity of the policies adopted by governments and political parties. It is a devastating exposure of the "moral cannibals," the "gigolos of science" and of the "academic prattle" of the makers of the "anti-industrial revolution." You have the courage to tell the masses what no politician told them: you are inferior and all the improvements in your conditions which you simply take for granted you owe to the effort of men who are better than you.

Some years later, in response to her then recently published essay, "America's Persecuted Minority: Big Business" (Rand 1965, 37–55), Mises commented to me that "Ayn Rand is the only man in America." When I reported this to Ayn Rand, she was extremely gratified.

While Rand certainly respected Mises, and considered him to be the best of the advocates of capitalism on economic grounds, it would, unfortunately, be wrong to suggest that she admired him to the degree that he admired her. Her references to him in her published letters (Rand 1995, 260, 308, 331, 582) make clear that she

was focused more on the shortcomings of his work than on his enormous accomplishments.

In my judgment, the writings of Mises and Rand are equally important to the defense of capitalism. With the study of Mises alone, the best result is likely to be someone along the lines of F. A. Hayek. With the study of Rand alone, the best result is likely to be someone along the lines of Alan Greenspan.⁶ The study of Rand and Mises in combination will produce far more stalwart and capable defenders of capitalism.⁷

Notes

1. See, for example, Mises 1996, 131–37, 294–301, 499–503, 592–604, 769–79; 1980, 195–214; 1951, 470–75, 478–84.

2. For details, see *passim* the works of Mises included in the list of references, below.

3. See also Mises 1951, 447–48.

4. I wish to note that even if absolutely no coercion were involved, doing away with individual dress to achieve economies in the production of clothing would still not be able to claim the status of an objective value. If for no other reason, this is because individuals themselves are different and what enhances their appearance can differ from case to case.

5. In the text of this book, the Latin word “malis” is translated as “bad” rather than “evil,” which latter is the translation adopted by the Ludwig von Mises Institute, and which I believe is more accurate. The “high school” that Mises refers to was, of course, a nineteenth-century German-language gymnasium, an institution of learning at a level far above that of today’s American colleges.

6. Over a period of approximately fifteen years, starting in 1957, I frequently met and spoke with Alan Greenspan, mainly at various Objectivist social gatherings. He never said anything in my presence that indicated that he had read and studied the works of Mises. Nor, as far as I am aware, do his writings or speeches provide any such indication. I believe that he attended Mises’s graduate seminar, which met once a week until 1969, only a few miles from where he lived, on just one occasion, which was when Rand visited the seminar.

7. In this brief essay, I have addressed only the issue of the status of values in Mises’s writings. Here I will simply assert that I believe Mises’s support of “apriorism” and his use of the method of “imaginary constructions” in economic theory is also fundamentally consistent with Rand’s philosophy of Objectivism. The essential point about his “apriorism” is not that there are propositions that are true prior to *all* experience, which would imply their being innate, but true prior to all experience subsequent to the one or relatively small number of experiences early in life that are sufficient to establish their necessity. Such propositions are logically prior to all experience that comes afterwards. As for the method of imaginary constructions: that is simply a necessary procedure in what Rand would describe as the processing of knowledge required to make the enormity that is reality intellectually digestible by the human mind. On the subject of processed knowledge, see Rand 1990, 81.

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