

# INTERNAL VS. EXTERNAL EXPLANATIONS: A NEW PERSPECTIVE ON THE HISTORY OF ECONOMIC THOUGHT<sup>1</sup>

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*Abstract:* The present paper is devoted to showing, via a reductio ad absurdum argument, that all externalist explanations for truth in economics are false, but that if any are used, it should not be the democratic one utilized by Rosen (1997). Rather, even though it is equally fallacious, it should be the one proposed in the present paper: the last publication in a debate indicates the substantive winner.

*Key words:* truth, economics, majority rule, democracy, debate, argument.

*JEL classification:* B0, B1, B2, B4.

It is true that democracy is the best of the political systems, in that it guarantees, through universal suffrage, a peaceful changeover of power. But democracy and its instrument, majority rule, is not a method to investigate the truth.

Rafael Termes

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## I. INTRODUCTION

Consider the following contentious issues in economics:

1. The minimum wage causes unemployment for unskilled workers when Marginal Revenue Product is below that level stipulated by law.<sup>2</sup>
2. The Austrian Business Cycle Theory (ABCT) is a correct explanation of the Great Depression of the 1930s, and the monetarist view (Friedman and Schwartz, 1963) is mistaken.
3. The Austrians had by far the better of the argument *vis-a-vis* their intellectual opponents in the Socialist Calculation Debate.<sup>3</sup>

How can the truth or falsity of these claims be established? There are only two possibilities. One, the internal explanation: through hard work, debate, evidence, logic, an intensive analysis of each contention must be made. Determining their truth or falsity calls for painstaking work, hard slogging—in other words, «blood, sweat and tears.» There are, in this view, no short cuts, no quick fixes.

Two, the external explanation. Here, there *are* easier and softer ways toward the truth. There are simple objective criteria that may be employed, which can ferret out the truth in one fell swoop. That is, there are considerations, totally and completely *external* to economic theory *per se* which, nevertheless, may be employed to distinguish between correctness of theory and error, in the dismal science.

Just to illustrate this concept, consider the following possible objective external criteria:

A. Height. In any debate between two economists, the taller one necessarily wins. So, if Milton Friedman and John Kenneth

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<sup>2</sup> Most economists agree with the contention (Block and Walker, 1988, Frey, et. al., 1984); for an alternative perspective, see Card and Krueger (1994).

<sup>3</sup> Boettke, 2001; Lavoie, 1981, 1985; Mises, 1936; Hayek, 1935A, 1935B.

Galbraith find themselves on the opposite side of an issue, e.g., the minimum wage, mentioned above, we deem the latter correct since he is more than 6 feet in height, and the former mistaken, since he stands at less than five feet.<sup>4</sup> If the right wing wants to win a debate, they must resurrect George Stigler, a tall economist, and match him against someone like Robert Reich, a much shorter man, who pitches from the distaff side.

B. Weight. William Vickery, Murray Rothbard and Robert Mundell were/are portly economists, while Leland Yeager, Israel Kirzner and Jeff Herbener are on the thin side. With such an objective criterion to lean upon as our guide, our path to the truth is clear and straight: when any member of the former set disputes any member of the latter, the fatties get the nod over the skinnies.<sup>5</sup> Generalizing outside of the economic realm, Nero Wolfe was a heavy detective, while Sherlock Holmes tipped the scales to a more moderate degree. If the two disagreed as to the evidence of a crime, we know that Archie's boss outranks Dr. Watson's colleague.

C. Economic credentials. Anyone with a Ph.D. in economics shall be considered more highly credentialed than anyone without such a diploma. We may safely disregard the opinions of Adam Smith, David Hume, John Locke, Frederic Bastiat, Jean Baptiste Say, Henry Hazlitt, in favor of any still wet behind the ears graduate fresh off the assembly lines of any of our modern diploma mills. For similar reasons, the following world class economists lack the requisite credentials; thus their views on any economic issue may safely be ignored as fallacious: Gordon Tullock (law degree), David Friedman (Ph.D. in physics), Henry Manne (law degree), Richard Posner (law degree).

Is there anyone who actually believes in such abject nonsense? Height and weight as criteria are just plain silly, and credentialism constitutes an informal fallacy in logic: the argument from

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<sup>4</sup> That is, we would have to reject Friedman (1977) without even reading it, purely on this ground.

<sup>5</sup> Or the very opposite; it matters not.

authority. Fortunately, for the present authors, there *are* scholars who maintain such premises,<sup>6</sup> otherwise we would not have had the temerity to write the present article in criticism of external explanations. Rosen (1997)<sup>7</sup> offers one such:

D. Democracy. That school of thought with the most adherents is closest to the truth. It amounts to no more than a nose counting definition of accuracy in economics. This is democracy run rampant.<sup>8</sup> And yet, a reasonably prestigious journal saw fit to publish this highly problematic contention. This means that at least a few referees, and perhaps more than one editor of a scholarly, peer-reviewed journal, saw merit in this thesis. To add insult to injury, yet other authors supported the Rosen (1997) thesis, to one extent or another (Laband and Tollison, 2000). Ditto for yet more referees, editors, journals, etc.

This claim must be stopped in its tracks before it does even more irreparable harm to our profession than it already has. Accordingly, in an attempt to do just that, we offer the present article. In it, we offer yet another ersatz pipeline to the Man upstairs. To wit:

E. He who publishes last in an argument shall be deemed the winner.

Before we even explore what on earth this criterion could possibly mean, we hasten to state that the present authors, although we shall employ it, do *not* agree with it. We utilize it only as a *reductio ad absurdum*. That is, we do *not* adhere to the view that the last speaker in a debate is the man with the truth on his side. We offer this train of thought *only* as antidote to the opinions expressed by Rosen (1997), Laband and Tollison (2000) in support of option D above.

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<sup>6</sup> Not on height and weight, of course, but on more «reasonable» grounds.

<sup>7</sup> For support of the Rosen (1997) thesis, see Laband and Tollison (2000); for a critique of Rosen (1997) and/or his supporters on this issue, see Block (2000b), Yeager (1997) and Anderson (2000).

<sup>8</sup> For a critique of democracy in the political sphere, see Hoppe (2001).

Our argument is of the following form. Alright, Rosen, et al.: You think that in majority opinion you have uncovered the philosopher's stone, an inerrant guide to truth in economics? Well, put this in your pipe and draw upon<sup>9</sup> it: there *is* no short circuiting the hard labor necessary to uncover the truth in economics, or, more generally, science. But our criterion, erroneous as it is, is as good as, or perhaps even better than, yours. Since ours is admittedly silly, so must yours be, and in spades.

With this demurer, and in order to anticipate objections, we are now ready to more fully articulate this particular externalist<sup>10</sup> explanation. In this analysis, whenever there is a dispute between two economists, the last one to articulate his opinion shall be deemed the winner of the debate, and thus having had the (more nearly) correct view.<sup>11</sup> So, if there is a series of arguments and counterarguments of the sort A, B, where A publishes first, B replies, and then all is silence, then we conclude that B is correct, and A incorrect. If the format is of the following variety: A, B, A', where A starts, B disagrees, and then A publishes a rejoinder to B in a second round (A'), and that is the last we hear of this, then it is A' who has an inner track on the truth, and B who must be consigned to the outer rungs of darkness. To insure there is no misunderstanding of the criterion we shall employ, if the debate follows the A, B, A', B' pattern, then B gets the thumbs up and A the thumbs down.

In what is to follow we shall confine ourselves to published debates,<sup>12</sup> excluding oral presentations. There are good and

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<sup>9</sup> We were about to say «smoke it» when a whiff of political correctness came over on us and we forebore.

<sup>10</sup> For a not totally unrelated use of the distinction between internalist and externalist explanations, see Block, Brennan and Elzinga, 1985.

<sup>11</sup> For an articulation of the «argument from argument,» which superficially supports the case being made in the text, but really does not, see Hoppe (1993, pp. 204-207). That is, Hoppe maintains that in arguing against free enterprise, communists must necessarily assume to be true what they oppose: property rights in persons and in nature. They do this since they could scarcely argue without a body, and a place to put it. In very sharp contrast, we are herein arguing, for *reductio* purposes, that the last contributor to an argument has made the more telling points.

<sup>12</sup> We include articles accepted for publication; that is, those that are forthcoming in refereed journals.

sufficient reasons for this decision. First, publications are a matter of enduring public record in a way that even transcribed oral debates are not. Second and far more important, the order of speaking in formal debates is often determined arbitrarily, for example by a coin toss. It would be reach, even for rabid *reductio ad absurdum*ists such as ourselves, to invest any in meaning whatsoever in the order of presentation that eventuates from such a process. In contrast, there is a certain presumption that in published debates, he who laughs last laughs best: the one with the last word is the only one left standing in the intellectual arena, so to speak. Just as in boxing, where, typically, the one at the end still on his feet on the canvass is declared the winner, apart from when judges are called upon to make this determination, so is it for academic pugilists. The one who is still «swinging away» with the last publication is the presumptive winner, while his opponent skulks away as the loser.

Before getting to the specifics, let us, in yet a further attempt to distance ourselves from our own (tongue firmly in cheek) criterion of truth, explicitly mention why it is erroneous. That is, even though the rest of the paper shall be devoted to an exploration of the historical and recent debates between Austrian economists (such as the present authors) and their critics, we now hereby explicitly disavow this theory. The neoclassical or mainstream economists do reasonably well with their norm, as it cannot be denied that there are more of them than there are of us. However, turnabout is fair play. We Austrians do not have much of a chance in a pure nose counting exercise, but may do better, cannot possibly do any worse, when we ascertain who was the last contributor to any given debate.

What, then, are the difficulties with this position of ours?

a. Death

One of the participants in the debate might have died in the very middle of it. That is, the format might have been A, B, A', B'. Here, our criterion indicates that the B position is the correct one. However, at this precise point in time, A might have been in the process of outlining a devastating rebuttal to B', which

would have converted this series into A, B, A', B', A'', giving the nod to A, not B. But before A could put pen to paper (so to speak) for his third and final contribution to this compilation, he might have suffered a heart attack and died. If so, our criterion would be in error.

Then, it is always possible to «pick» on an already diseased economist. For example, Rothbard (1995b) criticized Smith (1776) and there was little chance that the latter would offer a rejoinder. On the other, in this particular case, there was no shortage of modern economists who defended the latter against the former, and, indeed, this episode is included in our list of debates.

#### b. Disgust

Another possibility concerns A, B, where we would have to call B the winner. But A might be a genius insight, and B a misbegotten failure to appreciate the sheer enormity, learning and brilliance of A. But A, instead of replying to a B he considers beneath his dignity, goes on to other work. Again, our criterion would be counterproductive.

#### c. Derailment

Robert Nozick (1939-2002) had a long and very illustrious career as a philosopher. His many publications were subjected to the most intensive scrutiny, much of it critical. Yet, he never once replied to a single solitary published criticism of any of his works. When asked for an explanation of this behavior, Nozick replied in terms of «derailment»:<sup>13</sup> if he replied to all or even to many of his critics, or, indeed, since there were so many, to even a small fraction of them, he would never complete the work he wanted to finish. Instead, he would be derailed from his own goals by writing endless replies. So, he ignored them all, and focused on work he considered yet more important. However, in terms of our taxonomy, we would

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<sup>13</sup> Informal discussion with the senior author of the present article; paraphrased.

have an endless series of A, B, where A would be a magisterial Nozickian edifice, B would be, possibly, a carping sniveling<sup>14</sup> criticism, barely worth the paper it was printed on, something to which this author did not condescend to reply to. Yet, in terms of our analysis, we would have to judge that the critic had the better of the argument — in each and every case.

#### d. Dread

Sometimes, the reason an author may fail to respond to a sally against him is fear of losing a job, or dread.<sup>15</sup> Consider a case in point: A (Block, 1977), B (Demsetz, 1979), A' (Block, 1995), B' (Demsetz, 1997), and finally A'' (Block, 2000a). Note the long hiatus between B and A', a period of 16 years. If matters had ended in 1979, the series would have been A, B, and Demsetz would have had to have been declared the winner. In the event, however, it extended all the way to Block 2000a, so our conclusion would then have to be reversed.<sup>16</sup> The gap of more than decade and a half is explained by the fact that Block (by coincidence, the lead author of the present paper) was employed by an organization that revered Chicago-esque economics in general, Demsetz certainly amongst them, and this author feared that writing a reply to Demsetz (B in our terminology), namely A', would cost him his job.<sup>17</sup> As it happened, Block was fired from this position in 1991 for other reasons, whereupon he got back into the fray with alacrity.<sup>18</sup> However, had Block kept that position

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<sup>14</sup> We do not necessarily hold the view that Nozick was always in the right, and his critics always in the wrong. Certainly this would not apply, in our view, to Block (1980), Barnett (1977), Childs (1977), Evers (1977), Rothbard (1977), Sanders (1977).

<sup>15</sup> Alliteration uber alles.

<sup>16</sup> This is strengthened by Demsetz's (1997, 101) statement: «I ... refuse to join in any future similar exercise...»

<sup>17</sup> Demsetz (1997, 101) completely misconstrues Block's motives when he says «Block should have put this matter behind him rather than stewing over it for the 16 years between his current reply and my 1979 paper.» Contrary to Demsetz, there was no «stewing» going on; fear and trembling, rather.

<sup>18</sup> A' (Block, 1995) wasn't published until 1995, but the writing of it began in early 1992.



permanently, and never replied to Demsetz with his  $A'$ , the score card would have continued to read  $A, B$ , and we would have been forced to conclude, using our criterion, that the latter was correct. However, given  $A, B, A', B', A''$ , we come to the diametric opposite conclusion. If any one thing can convince us of the sheer enormity of the error of this last-to-publish criterion, this incident might qualify.

e. Defeat admission

Suppose the sequence  $A, B, A', B', A'', B''$ . Ordinarily, were we to cleave strictly to our criteria, we would declare  $B$  the winner of the debate, since he was the only one standing when it ended. But, suppose that  $B''$  consists of a surrender on  $B$ 's part to  $A$ , admitting that the latter was correct, and that he,  $B$ , was in error. Logic, coherence, common sense would all seem to dictate that  $A$  was the winner of this debate. None of this for us, however. Consistency may be «the hobgoblin of little minds,» but in this case we side with it: in our lexicon, we would declare  $B$  the winner, since he came last, and position is our motto. Happily, there are no such cases in our inventory.<sup>19</sup>

f. Divergence

At what point in the creation of a publication should we count it as partaking in a debate? Obviously, when the paper is published, it should be counted. How about when it is formally accepted for publication, and thus is forthcoming in a refereed journal, but has not yet appeared in print. We have decided to include this as well, since, usually, it is only a (short) matter of time before such an essay would achieve the previously mentioned status. But what about an article that is just an idea in the author's head, or is partially completed? What should be the status of a manuscript that has been sent out to an editor for publication,

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<sup>19</sup> The closest we come to this, however, is the letter from John Bates Clark cited in Hayek, F.A. 1939, «Review of *John Bates Clark: A Memorial*», *Economica*, Vol. 6, 223-224.

and is still in the refereeing process? A line has to be drawn somewhere, and we have decided to do so at this point. That is, we do not count articles still being refereed, or only partially written and not yet submitted for publication. As a practical matter, we have very little information about such works in process. Then, too, not every article undergoing refereeing sees the light of day. The problem with this otherwise reasonable choice, if we say so ourselves, is that the «winner» of a debate will continually diverge over time. At one point, we must declare A the victor of a given argument. But, then, a few months later a refereed article from B is accepted for publication, and we change our mind on this matter.

#### g. Dishonesty

There is a certain amount of dishonesty that earmarks refereed professional journals in economics. Often, this takes the form of ideological bias (Klein and Chiang, 2005; Thornton, 2004). To the extent that this occurs, we do not have a «level playing field.»<sup>20</sup> But, if an objective «winner» is to be declared, we must have *ceteris paribus* conditions. We can make no such declaration if there is a thumb on one side, but not the other, of the scales of justice as orchestrated by journal editors.<sup>21</sup>

Yet another form of dishonesty is the rescinding of an acceptance. There are more than a few authors who have received letters of acceptance, only to have them followed up by another missive rescinding the offer to publish.<sup>22, 23</sup>

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<sup>20</sup> In international trade, the last thing we want is a level playing field. To the extent that this occurs, specialization and the division of labor are lessened.

<sup>21</sup> Had there been no Austrian journals willing to publish Block (1999) and Hulsmann (1999), Caplan (1999) would have been declared the winner of this particular debate. See below.

<sup>22</sup> For one documented instance of such renegeing, see Block and Whitehead (2005, footnote 1).

<sup>23</sup> Also, a journal might go out of business before actually publishing an accepted article.

#### h. Disinformation

This compilation is unfair to the mainstream neoclassical economist, and improperly gives weight to the Austrian side, in that the former may simply be unaware of critiques published by the latter. The former appear in, and, presumably, read, journals such as the *American Economic Review*, the *Journal of Political Economy* and *Econometrica*. For the latter, the counterparts are the *Quarterly Journal of Austrian Economics*, the *Review of Austrian Economics*, and *Advances in Austrian Economics*. Thus, if an Austrian critique of a mainstream publication appears in one of the latter journals, its target may never have so much as even *seen* it. Such ignorance may not be bliss, but it could certainly account for the Austrian having the last word in a «debate» of which one of the partners to it was completely unaware.

But suppose the Austrian critic actually *sends* his critical publication to his neoclassical target. Then, presumably, the latter can no longer plead ignorance? Not so, not so. One must realize that in terms of prestige within the profession, the neoclassicals occupy the pinnacle, and the Austrians the outer reaches. The former are to be found at the top research universities, again in terms of prestige,<sup>24</sup> and numerous of them are winners of Nobel Prizes in economics. Yes, there are some exceptions: Hayek won the Nobel Prize in economics and taught at the University of Chicago,<sup>25</sup> while Kirzner was a member of the New York University economics department. But these exceptions prove the rule. The typical mainstream professor located at a prestigious research university who is sent an offprint criticizing his views published in journal not in the top 50 of the rankings is likely to toss it in the round file. He would not condescend to even read it, let alone reply to it. This is not very open minded, not very scholarly, not very collegial. But this sociological reality does account for the one sidedness of the debates listed below. With but a few notable

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<sup>24</sup> For a critique of this situation as itself biased, see Klein and Chiang (2005).

<sup>25</sup> But *not* in the economics department, from which he was blackballed by Friedman and Stigler; instead, he taught at the Committee on Social Thought (Hulsmann, 2006).

exceptions, the Austrian «debating» a mainstream economist is likely to be perceived by the latter in the same way as an elephant being bitten by a fly. Then, to be fair to the neoclassical economists who reside at the apex of the profession in terms of prestige, for every rejoinder received by an Austrian, they must receive one hundred, or more. They simply cannot reply to all of those who wish to establish their own reputations by attacking these leaders. If they published replies to even a small percentage of the critiques they receive over the transom, they would never be able to do the research they wish to do.

#### i. Arbitrary

Often the winner of a debate will depend upon whose article comes last in a journal. But this is typically determined, solely, by the editor. There is thus a certain element of capriciousness embedded in our calculations.

To conclude this introduction, we focus on an actual benefit to our procedure, although, strictly speaking, it is not even tangentially related to «our thesis» that truth emanates from the man with the last word in the argument.<sup>26</sup> The advantage is that our model looks at the history of economic thought through an entirely different lens than has ever before been applied to it. The story of the economics profession has previously been organized in many ways: by date, by topic, by author, by nation, by geographic area, by school of thought (Heilbroner, 1991; Rothbard, 1995). But our literature search has failed to discern even a single case of the employment of the present method under discussion: as a series of debates, culminating with a score of one point for each side that «wins» it, again according to our (entirely erroneous) criterion.

The history of economic thought is an important subject, contrary to the views of those graduate economics departments that have busily dropping this subject from their Ph.D. programs.

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<sup>26</sup> However, «our thesis» can draw some comfort from these words of Rothbard (1962, 548): «Mises, who has had the last ... word in this debate, has demonstrated irrefutably that ...» (cited in Boettke and Coyne, 2004, 74).

These are the men who see this subject as of antiquarian interest only. But, in our view, if you don't know where you have been in the past, you are less likely to know where you are going. This de emphasis on the history of our profession makes sense only on the stipulation of the Whig theory of history: that everything is getting better and better, continually, as we move through time; the leading lights of the past have nothing to teach modern economists, since the latest econometric equations, in the most recent journals, incorporate and amalgamate all that we have learned from the past. Such is not our position. Very much to the contrary, we are of the opinion that economic theory can sometimes and even often retrogress; that there is no guarantee of continual progress. That being the case, it is all-important that the history of economic thought once again take its rightful place in our profession. And we know of no better way to help accomplish this task than to look at it in an entirely new way. If the present paper accomplishes no more than that, it will have been worthwhile.

Sections II and III consist of non annotated and annotated bibliographies, respectively, of a series of debates, ending with a point scored either for the Austrians or the mainstreamers, depending upon who had the last published word. It is to this, the heart of our paper, that we now turn. We conclude in section IV.

## II. NON ANNOTATED DEBATES

Unless otherwise noted, these debates are listed in the order of the last name of the non-Austrian participant.<sup>27</sup>

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<sup>27</sup> Were we to include this debate in our calculations, this is how it would lay out: Selgin and White: Selgin, George, and Lawrence H. White. 1996. «In Defense of Fiduciary Media - or, We Are *Not* Devo(unionists), We Are Misesians.» *Review of Austrian Economics*. 9 (2): 83-108; Hoppe, Hans-Hermann, with Guido Hulsmann and Walter Block. 1998. «Against Fiduciary Media.» *Quarterly Journal of Austrian Economics*, Vol. 1, n.º 1, pp. 19-50, [http://www.mises.org/journals/qjae/pdf/qjae1\\_1\\_2.pdf](http://www.mises.org/journals/qjae/pdf/qjae1_1_2.pdf); [http://www.qjae.org/journals/qjae/pdf/Q11\\_2.pdf](http://www.qjae.org/journals/qjae/pdf/Q11_2.pdf); Hulsmann, Guido. 2003. «Has Fractional Reserve Banking Really Passed the Market Test?» *The Independent*

### 1. Akerlof (economic psychology)

Akerlof, George A. 1991. «Procrastination and Obedience,» *American Economic Review*, Vol. 81, n.º 2, May, pp. 1-19.

Anderson, Gary M. and Walter Block. 1995. «Procrastination and Obedience: A Reply to Akerlof,» *American Journal of Economics and Sociology*, Vol. 54, n.º 2, April, pp. 201-215; abstracted in *Sage Public Administration Abstracts*, Vol. 22, n.º 3, October, p. 411.

Winner: Anderson and Block, Austrians.

### 2. Bagwell (monopoly exports)

Bagwell, Kyle. 1991. «Optimal Export Policy for a New-Product Monopoly,» *American Economic Review*, December, Vol. 81, n.º 5, pp. 1156-69.

Block, Walter. 1999. «Optimal Export Policy for a New Product Monopoly: Comment on Bagwell,» *Cross Cultural Management*, Vol. 6, n.º 2, pp. 29-32.

Winner: Block, Austrian.

### 3. Bagwell and Ramey (advertising)

Bagwell, Kyle, and Ramey, Garey. 1994. «Coordination Economies, Advertising, and Search Behavior in Retail Markets,» *American Economic Review*, Vol. 84, n.º 3, June, pp. 498-517.

Block, Walter. 2003. «Coordination Economies, Advertising and Search Behavior in Retail Markets by Kyle Bagwell and Garey

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*Review*. Vol. VII, n.º 3, Winter, pp. 399-422; White, Lawrence H. 2003. «Accounting for Fractional-Reserve Banknotes and Deposits – or, What’s Twenty Quid to the Bloody Midland Bank?» *The Independent Review*. Vol. VII, n.º 3, Winter, pp. 423-441; Barnett, William II and Walter Block. 2005. In Defense of Fiduciary Media - A Comment or What’s Wrong with «Monopoly» (or Play) Money? *Quarterly Journal of Austrian Economics*; Vol. 8, n.º 2, Summer, pp. 55-69; Winner: Barnett and Block, Austrians. However, we consider this an intra Austrian debated, and hence do not include it.

Ramey: A Comment,» *International Journal of Value-Based Management*, Vol. 16, n.º 1, pp. 67-73.

Winner: Block, Austrian.

#### 4. Barone, Taylor, Dickinson, Lerner, and Lange (socialist planning)

Barone, Enrico. 1908. «Il Ministro della Produzione nello Stato Collettivista.» *Giornale degli Economisti e Rivista di Statistica*, Vol. 37. Translated in English and Reprinted in Friedrich A. Hayek (Ed.), *Collectivist Economic Planning: Critical Studies on the Possibility of Socialism*. London: Routledge and Kegan Paul. 1935.

Mises, Ludwig von. 1920. «Die Wirtschaftsrechnung im sozialistischen Gemeinwesen.» *Archiv für Sozialwissenschaft und Sozialpolitik*, Vol. 47, pp. 86-121. Translated into English and Reprinted in Friedrich A. Hayek (Ed.), *Collectivist Economic Planning: Critical Studies on the Possibility of Socialism*. London: Routledge and Kegan Paul. 1935. pp. 87-130.

Mises, Ludwig von. 1922. *Die Gemeinwirtschaft: Untersuchungen über den Sozialismus*. Jena: Gustav Fischer. Translated from the second revised edition (*Die Gemeinwirtschaft: Untersuchungen über den Sozialismus*. Jena: Gustav Fischer, 1932. Appendix: Excerpt from «Neue Beiträge zum Problem der sozialistischen Wirtschaftsrechnung») into English as *Socialism: an Economic and Sociological Analysis* by J. Kahane. London: Jonathan Cape, 1936.

Taylor, Fred M. 1929. «The Guidance of Production in a Socialist State.» *American Economic Review*, Vol. 19, n.º 1, pp. 1-8.

Dickinson, H.D. 1933. «Price Formation in a Socialist Community.» *The Economic Journal*, Vol. 43, n.º 170 (June), pp. 237-50.

Dobb, Maurice. 1933. «Economic Theory and the Problems of a Socialist Economy.» *The Economic Journal*, Vol. 43, n.º 172. (December), pp. 588-98.

Robbins, Lionel. 1934. *The Great Depression*. New York. Macmillan.

Lerner, Abba P. 1934. «Economic Theory and Socialist Economy.» *The Review of Economic Studies*, Vol. 2, n.º 1 (October), pp. 51-61.

Hayek, Friedrich A. 1935A. «The Nature and History of the Debate.» In Friedrich A. Hayek (Ed.), *Collectivist Economic Planning:*

*Critical Studies on the Possibility of Socialism*. London: Routledge and Kegan Paul. 1935. pp. 1-40.

Hayek, Friedrich A. 1935B. «Socialist Calculation Debate: The Present State of the Debate» In Friedrich A. Hayek (Ed.), *Collectivist Economic Planning: Critical Studies on the Possibility of Socialism*. London: Routledge and Kegan Paul. 1935. pp. 201-43.

Lange, Oskar. 1936. «On the Economic Theory of Socialism: Part I.» *The Review of Economic Studies*, Vol. 4, n.º 1 (October), pp. 53-71.

Lange, Oskar. 1937. «On the Economic Theory of Socialism: Part II.» *The Review of Economic Studies*, Vol. 4, n.º 2 (February), pp. 123-42.

Robbins, Lionel. 1937. *Economic Planning and International Order*. New York. Macmillan.

Mises, Ludwig von. 1938. «The Equations of Mathematical Economics and the Problem of Economic Calculation in a Socialist State.» Published in French and translated from German by Gaston Leduc. *Revue d'Economie Politique*, Vol. 97, pp. 899-906. Reprinted in English in the *Quarterly Journal of Austrian Economics*, Vol. 3, n.º 1 (spring), 2000, pp. 27-32.

Hayek, Friedrich A. 1940. «Socialist Calculation: The Competitive 'Solution'». *Economica*, Vol. 7 (May): 125-49.

Hayek, Friedrich A. 1945. «The Use of Knowledge in Society.» *The American Economic Review*, Vol. 35, n.º 4. (Sep., 1945), pp. 519-30.

Hayek, Friedrich A. 1968. «Competition as a Discovery Procedure,» *Kieler Vortrage*, Vol. 56. Reprinted in Friedrich A. Hayek, *New Studies in Philosophy, Politics, Economics, and the History of Ideas*. Chicago, IL: University of Chicago Press.

Winner: Hayek, Austrian.<sup>28</sup>

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<sup>28</sup> The awarding of this debate to the Austrians is perhaps the most controversial of such decisions in this paper. That is because we somewhat arbitrarily end the give and take with Hayek (1968). But there are dozens of modern socialist writings on this topic, and not a few Austrian replies as well, with more appearing in print, seemingly, every month. Thus it is a bit capricious on our part to determine the winner in this manner. But this emanates from the fundamental flaw in our basic premise: that the winner of a debate is the author who last publishes. However, in



### 5. Bardham and Roemer (market socialism)

Bardham, P. and J. Roemer. 1992. «Market Socialism: A Case for Rejuvenation.» *Journal of Economic Perspectives*. Vol. 6, n.º 3, pp. 101-116.

Cottrell, Allin and W. Paul Cockshot. 1993. «Calculation, Complexity and Planning.» *Review of Political Economy*. Vol. 5, n.º 1, pp. 73-112.

Adaman, F., and Pat Devine. 1996. «The Economic Calculation Debate: Lessons for Socialists.» *Cambridge Journal of Economics*. Vol. 20, n.º 5, pp. 523-537.

Horwitz, Steve. 1996. «Money, Money Prices and Socialist Calculation Debate.» *Advances in Austrian Economics*, Vol. 3, pp. 59-77.

Caldwell, Bruce. 1997. «Hayek and Socialism.» *Journal of Economic Literature*. Vol. 35, n.º 4, pp. 1856-1890.

Winner: Horwitz and Caldwell, Austrians.

### 6. Barrotta (methodology)

Barrotta, Pierluigi. 1996. «A Neo-Kantian Critique of Von Mises's Epistemology,» *Economics & Philosophy*, 12, April: 51-66.

Winner: Barrotta, non-Austrian.

### 7. Becker (1, demand analysis)

Becker, Gary S. 1962. «Irrational Behavior and Economic Theory.» *Journal of Political Economy*, 70(1) (February), pp. 1-13.

Kirzner, Israel M. 1962. «Rational Action and Economic Theory.» *Journal of Political Economy*, 70(4) (August), pp. 380-85.

Becker, Gary S. 1963. «Rational Action and Economy Theory: Reply to I. Kirzner.» *Journal of Political Economy*, 71(1) (February), pp. 82-83.

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our own «defense» on this matter, we emphasize that no subsequent publication explicitly responds top Hayek's last paper.

Kirzner, Israel M. 1963. «Rational Action and Economic Theory: Rejoinder.» *Journal of Political Economy*, 71(1) (February), pp. 84-85.  
Winner: Kirzner, Austrian.

#### **8. Becker (2, property rights)**

North, Gary. 2002. «Undermining Property Rights: Coase and Becker,» *The Journal of Libertarian Studies: An Interdisciplinary Review*, Vol. 16, n.º 4, Fall, pp. 75-100; [http://www.mises.org/journals/jls/16\\_4/16\\_4\\_5.pdf](http://www.mises.org/journals/jls/16_4/16_4_5.pdf)  
Winner: North, Austrian.

#### **9. Bernhardt and Scoones (wages)**

Bernhardt, Dan and Scoones, David. 1993. «Promotion, Turnover and Preemptive Wage Offers» *American Economic Review*, Vol. 83, n.º 4, September, pp. 771-791.  
Block, Walter and Robert Lawson. Forthcoming, 2007. «Promotion, Turnover and Preemptive Wage Offers: Comment on Bernhardt and Scoones.» *Humanomics*. Vol. 23, n.º 1.  
Winner: Block and Lawson, Austrians.

#### **10. Blaug (methodology)**

Blaug, Mark. 1992. *The Methodology of Economics*. New York: Cambridge University Press: 51-82.  
Winner, Blaug, non-Austrian.

#### **11. Bork, Brozen and Posner (Anti trust)**

Posner, Richard. 1976. *Antitrust Law: an Economic Perspective*, Chicago: University of Chicago Press.  
Bork, Robert H. 1978. *The Antitrust Paradox: A Policy at War with Itself*, New York, Basic Books.

Brozen, Yale. 1982. *Concentration, Mergers, and Public Policy*. New York: Macmillan.

Smith, Jr., Fred L. 1983. «Why not Abolish Antitrust?» *Regulation*, Jan-Feb, 23.

High, Jack. 1984-1985. «Bork's Paradox: Static vs Dynamic Efficiency in Antitrust Analysis,» *Contemporary Policy Issues*, Vol. 3, pp. 21-34.

Shugart II, William F. 1987. «Don't Revise the Clayton Act, Scrap It!,» 6 *Cato Journal*, 925.

DiLorenzo, Tom and Jack High. 1988. «Antitrust and Competition, Historically Considered,» *Economic Inquiry*, July.

McChesney, Fred. 1991. «Antitrust and Regulation: Chicago's Contradictory Views,» *Cato Journal*, Vol. 10.

Boudreaux, Donald J., and DiLorenzo, Thomas J. 1992. «The Protectionist Roots of Antitrust,» *Review of Austrian Economics*, Vol. 6, n.º 2, pp. 81-96.

Block, Walter. 1994. «Total Repeal of Anti-trust Legislation: A Critique of Bork, Brozen and Posner,» *Review of Austrian Economics*, Vol. 8, n.º 1, pp. 31-64. [http://www.mises.org/journals/rae/pdf/rae8\\_1\\_3.pdf](http://www.mises.org/journals/rae/pdf/rae8_1_3.pdf); [http://www.mises.org/journals/rae/pdf/r81\\_3.pdf](http://www.mises.org/journals/rae/pdf/r81_3.pdf)

DiLorenzo, Thomas J. 1996. «The Myth of Natural Monopoly,» *Review of Austrian Economics*, Vol. 9, n.º 2, pp. 43-58; [http://www.mises.org/journals/rae/pdf/rae9\\_2\\_3.pdf](http://www.mises.org/journals/rae/pdf/rae9_2_3.pdf)

Armentano, Dominick T. 1999. *Antitrust: The Case for Repeal*. Revised 2<sup>nd</sup> ed., Auburn AL: Mises Institute.

Winner: Austrians.

## **12. Breit, Lange, Durbin, Pigou, Knight, Atkinson, Bergson, Baran, Robinson, Grossman, Chaloupek, Stiglitz, Heilbroner, Kornai (socialism)**

Breit, M. and Lange, Oscar. 1934. «The way to the Socialist Planned Economy» translated by Jan Toporowski and reprinted in *History of Economics Review* 2003 N37 51-70.

Durbin, E.F.M. 1935. «The Social Significance of the Theory of Value.» *The Economic Journal*. Vol. 45, n.º 180.

Lange, O. 1935. «Marxian Economics and Modern Theory.» *Review of Economic Studies* V2 N3 pp. 189-201.

Durbin, E.F.M. 1936. «Economic Calculus in a Planned Economy.» *The Economic Journal*. Vol. 46, n.º 184.

Pigou, Arthur C. 1937. *Socialism versus Capitalism*. London: Macmillan.

Knight, Frank. 1938. «Two Economists on Socialism.» *The Journal of Political Economy*. V46 N2 241-250.

Lange, O. 1940. «Letter to F.A. Hayek,» translated by Thadeusz Kowalik.

Lange, O. 1942. «Economics of Socialism.» *Journal of Political Economy*. V50 N2 299-303.

Atkinson, F. 1947-1948. «Savings and Investment in a Socialist State.» *Review of Economic Studies* V15 N2 78-83.

Bergson, A. 1948. «Socialist Economics.» *A Survey of Contemporary Economics*. H Ellis ed. Pp. 412-448.

Baran, Paul. 1952. «National Economic Planning.» *A Survey of Contemporary Economics*. B. Haley, ed. 355-407.

Bergson, A. 1967. «Market Socialism Revisited.» *The Journal of Political Economy*. Vol. 75, n.º 5, pp. 655-673.

Robinson, Joan. 1967. «Socialist Affluence,» *Socialism, Capitalism, and Economic Growth*. C.H. Feinstein, ed. Cambridge University Press.

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Chaloupek, G. 1990. «The Austrian Debate on Calculation in a Socialist Economy.» *History of Political Economy* V22 N4 659-675.

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- Stiglitz, Joseph. 1994. *Whither Socialism?* MIT Press.
- Bradley, R. 1981. «Market Socialism: A Subjectivist Perspective.» *Journal of Libertarian Studies*. V5, N1.
- Lavoie, Don. 1981. «A Critique of the Standard Account of the Socialist Calculation Debate», *Journal of Libertarian Studies* N5 V1 41-87.
- Murrell P. 1983. «Did the theory of market socialism answer the challenge of Ludwig von Mises?» *History of Political Economy*. v15 n1 pp. 92-105.
- Nutter, W: 1983. «Markets without Property,» *A Grand Illusion in Political Economy and Freedom*. Liberty Press pp. 94-102.
- Lavoie, Don. 1985. *Rivalry and Central Planning*. Cambridge University Press.
- O'Driscoll, G. and Rizzo, M. 1985. *The Economics of Time and Ignorance*, Routledge.
- Richter, R. 1992. «A Socialist Market Economy- can it work?» *Kyklos* 45 2 185-207.
- Ebeling, R. 1993. «Economic Calculation under Socialism: Ludwig von Mises and His Predecessors,» *The Meaning of Ludwig von Mises*, J. Herberner ed., Kluwer Academic Press pp. 56-101.
- Cowen, Tyler. 1995. «A Review of G.C. Archibald's Information, Incentives, and the Economics of Control: A Reexamination of the Socialist Calculation Debate.» *Journal of International and Comparative Economics* 4, 243-249.
- Winners: Bradley, Lavoie, Murrell, Nutter, O'Driscoll, Rizzo, Richter, Ebeling, Cowen, Austrians.

### 13. Bruce and Waldman (income transfers)

- Bruce, Neil, and Waldman, Michael. 1991. «Transfers in Kind: Why They Can Be Efficient and Non-paternalistic,» *American Economic Review*, December, 81, 1345-51.
- Block, Walter. 2001. «Transfers in Kind: Why They Can be Efficient and Nonpaternalistic – Comment,» *International Journal of Value-Based Management*, pp. 191-199
- Winner: Block, Austrian.

#### 14. Buchanan and Tullock (public choice)

Buchanan, James M., and Gordon Tullock. 1962. *The Calculus of Consent: Logical Foundations of Constitutional Democracy*, Ann Arbor: University of Michigan.

Rothbard, Murray. 1997. «Buchanan and Tullock's 'The Calculus of Consent,'» *The Logic of Action Two*, Glos, UK: Edward Elgar Publishing Ltd., pp. 269-274.

Block, Walter and Tom DiLorenzo. 2000. «Is Voluntary Government Possible? A Critique of Constitutional Economics,» *Journal of Institutional and Theoretical Economics*, Vol. 156, n.º 4, December, pp. 567-582.

DiLorenzo, Tom and Walter Block. 2001. «Constitutional Economics and the Calculus of Consent,» *The Journal of Libertarian Studies*, Vol. 15, n.º 3, Summer, pp. 37-56; [http://www.mises.org/journals/jls/15\\_3/15\\_3\\_2.pdf](http://www.mises.org/journals/jls/15_3/15_3_2.pdf)

Block, Walter and Tom DiLorenzo. 2001. «The Calculus of Consent Revisited,» *Public Finance and Management*, Vol. 1, n.º 3; [www.spaef.com](http://www.spaef.com) <<http://www.spaef.com>>; [http://spaef.com/PFM\\_PUB/pubv1n3.html](http://spaef.com/PFM_PUB/pubv1n3.html); [http://www.spaef.com/PFM\\_PUB/v1n3.html](http://www.spaef.com/PFM_PUB/v1n3.html)

Block, Walter. 2005. «Government and Market: A Critique of Professor James Buchanan's *What Should Economists Do?*» *Corporate Ownership & Control*, Vol. 3, n.º 1, Fall, pp. 81-87.

Winner: Rothbard, DiLorenzo, Block, Austrians.

#### 15. Bukharin (socialism):

Bukharin, Nikolai I. 1927. *Economic Theory of the Leisure Class*, International Publishers.

Winner: Bukharin, non Austrian.

#### 16. Burczak (1. praxeology)

Caldwell, Bruce. 1982. *Beyond Positivism: Economic Methodology in the Twentieth Century*. London: Allen & Unwin: 99-138.

Caldwell, Bruce. 1984. «Praxeology and Its Critics: An Appraisal,» *History of Political Economy*, 16, Fall: 363-379.

Burczak, Theodore. 1994a. «The Postmodern Moments of F. A. Hayek's Economics,» *Economics & Philosophy*, 10: 31-58.

Burczak, Theodore. 1994b. «Can Subjectivism be Non-Hermeneutic?,» *Economics & Philosophy*, 10: 315-317.

Caldwell, Bruce. 1994. «Hayek's Scientific Subjectivism,» *Economics & Philosophy*, 10: 305-314.

Winner: Caldwell, Austrian.

#### 17. Burczak (2. Hayek v. Keynes on expectations):

Butos and Koppl. 1993. «Hayekian expectations: theory and empirical applications,» *Constitutional Political Economy*, 4, pp. 303-59.

Butos, William N. and Roger Koppl. 1997. «The Varieties of Subjectivism: Keynes and Hayek on Expectations,» *History of Political Economy*, 29(2), 303-29.

Burczak, T. 2001. «Profit expectations and confidence: some unresolved issues in the Austrian/post-Keynesian debate,» *Review of Political Economy*, 13(1), 59-80.

Koppl, Roger and William N. Butos. 2001. «Confidence in Keynes and Hayek: Reply to Burczak,» *Review of Political Economy*, 13(1), 81-86.

Burczak, T. 2001. «Response to Butos & Koppl: expectations, exogeneity, and evolution,» *Review of Political Economy*, 13(1), 88-90.

Carabelli, A. & N. De Vecchi. 2001. «Hayek and Keynes: from a common critique of economic method to different theories of expectations,» *Review of Political Economy*, 13(3), 269-285.

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Carabelli, A. & N. De Vecchi. 2004. «On Hayek and Keynes once again: a reply to Butos & Koppl,» *Review of Political Economy*, 16(2), 249-256.

Duran, Miguel A. 2005. Unpublished. «Problems of the Co-Ordination Problem.»

Winner: Carabelli and De Vecchi, non Austrians.

### 18. Caldwell (equilibrium)

Caldwell, Bruce J. 2002. «Wieser, Hayek and Equilibrium Theory.» *Journal des Economistes et Etudes Humaines*. Vol. 12, March.

Salerno, Joseph T. 2002. «Friedrich von Wieser and Friedrich A. Hayek: The General Equilibrium Tradition in Austrian Economics.» *Journal des Economistes et Etudes Humaines*. Vol. 12, June/September.

Winner: Salerno, Austrian.<sup>29</sup>

### 19. Caplan (1, methodology)

Caplan, Bryan. 1999. «The Austrian Search for Realistic Foundations.» *Southern Economic Journal*, April, Vol. 65, n.º 4, pp. 823-838.

Block, Walter. 1999. «Austrian Theorizing, Recalling the Foundations: Reply to Caplan.» *Quarterly Journal of Austrian Economics*, Vol. 2, n.º 4, winter, pp. 21-39; [http://www.mises.org/journals/qjae/pdf/qjae2\\_4\\_2.pdf](http://www.mises.org/journals/qjae/pdf/qjae2_4_2.pdf); errata: [http://www.mises.org/journals/qjae/pdf/qjae2\\_4\\_9.pdf](http://www.mises.org/journals/qjae/pdf/qjae2_4_9.pdf)

Hülsmann, Jörg Guido. 1999. «Economic Science and Neoclassicism.» *Quarterly Journal of Austrian Economics*, Vol. 2 Num. 4, pp. 1-20; [http://www.mises.org/journals/qjae/pdf/qjae2\\_4\\_1.pdf](http://www.mises.org/journals/qjae/pdf/qjae2_4_1.pdf)

Caplan, Bryan. 2001. «Probability, Common Sense, and Realism: A Reply to Huelsmann and Block.» *Quarterly Journal of Austrian Economics*; Vol. 2, n.º 4, summer, pp. 69-86; [http://www.mises.org/journals/qjae/pdf/qjae4\\_2\\_6.pdf](http://www.mises.org/journals/qjae/pdf/qjae4_2_6.pdf)

Stringham, Edward. 2001. «Kaldor-Hicks Efficiency and the Problem of Central Planning» *Quarterly Journal of Austrian Economics*, Vol. 4, n.º 2, Summer, 41-50.

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<sup>29</sup> Note, that we declare Caldwell, as an Austrian, the winner of the Burczak debate, while in our view Caldwell loses the Caldwell debate to Salerno, and in this case we consider Caldwell the non-Austrian. Is there any contradiction here? Not a bit of it. There is no logical inconsistency in the present authors considering Caldwell and an Austrian, and a non-Austrian, in two different and separate contexts.



Congleton, R.D. 2001. «In Defense of Ignorance,» *Eastern Economic Journal* 27: 391-408; <http://rdc1.net/forthcoming/IGNORANT.PDF>

Block, Walter. 2003. «Realism: Austrian vs. Neoclassical Economics, Reply to Caplan,» *Quarterly Journal of Austrian Economics*, Vol. 6, n.º 3, Fall, pp. 63-76; [http://www.mises.org/journals/qjae/pdf/qjae6\\_3\\_4.pdf](http://www.mises.org/journals/qjae/pdf/qjae6_3_4.pdf)

Caplan, Bryan. 2003. «Probability and the Synthetic *A Priori*: A Reply to Block.» *Quarterly Journal of Austrian Economics*; Vol. 6, n.º 3, fall, pp. 77-83; [http://www.mises.org/journals/qjae/pdf/qjae6\\_3\\_5.pdf](http://www.mises.org/journals/qjae/pdf/qjae6_3_5.pdf)

Block, Walter. 2005. «Rejoinder to Caplan on Bayesian Economics,» *Journal of Libertarian Studies*. Vol. 19, n.º 1, Winter, pp. 79-95; <http://blog.mises.org/blog/archives/003654.asp>

Hoppe, Hans Hermann. 2005. «Must Austrians Embrace Indifference?,» *Quarterly Journal of Austrian Economics*, Vol. 8, n.º 4, (Winter 2005), pp. 87-91.

Block, Walter. Forthcoming, 2006. «Reply to Caplan on Austrian Economic Methodology.» *Corporate Ownership & Control*, Volume 4, Issue 2, November.<sup>30</sup>

Barnett, William II. Forthcoming, 2006. «Contra Caplan.» *Corporate Ownership & Control*, Volume 4, Issue 1, September.

Winner: Hoppe, Stringham, Block and Barnett, Congleton, Austrians.

## 20. Caplan (2, information):

Caplan, Bryan. 2004. «Is Socialism Really 'Impossible'?» *Critical Review*, Vol. 16, Issue 1, pp. 33-53.

Boettke, Peter J. and Leeson, Peter T. 2005. «Still Impossible After All These Years: Reply to Caplan,» *Critical Review*, Vol. 17, Issue 1-2, pp. 155-170.

Gordon, David. 2005. «Calculation and Chaos: Reply to Caplan,» *Critical Review*, Vol. 17, Issue 1-2, pp. 171-78.

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<sup>30</sup> We count forthcoming articles, accepted for publication.

Gonzalez, R. and Stringham, Edward. 2006. «Incentives vs. Knowledge: Reply to Caplan» *Critical Review*, Vol. 17, n.º 1-2, pp. 179-203.

Caplan, Bryan. 2005. «Toward a New Consensus on the Economics of Socialism: Rejoinder to my Critics,» *Critical Review*, Vol. 17, n.º 1-2, pp. 203-20.

Winner: Caplan, non-Austrian.

## 21. Card and Krueger (minimum wages)

Card, David, and Alan B. Krueger. 1994. «Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania,» *American Economic Review*, Vol. 84, n.º 4, September, pp. 772-793.

Block, Walter. 2001. «The Minimum Wage: A Reply to Card and Krueger,» *Journal of The Tennessee Economics Association*, Spring.

Winner: Block, Austrian.

## 22. Clark (1, capital)

Böhm-Bawerk, E. 1884. *Capital and Interest*. Volume 1: *History and Critique of Interest Theories*. Volume 2: *Positive Theory of Capital*.

Clark, John Bates. 1893. «The Genesis of Capital.» *Yale Review*, November, pp. 302-315. Reprinted in *Publications of the American Economic Association*, Vol. 9, n.º 1, Hand Book of the American Economic Association, 1894. Together with Report of the Sixth Annual Meeting. University of Chicago, September 11-15, 1893. (Jan., 1894), pp. 64-68.

Böhm-Bawerk, E. 1895. «The Positive Theory of Capital and Its Critics: I» *The Quarterly Journal of Economics*, Vol. 9, n.º 2., January, pp. 113-131.

Clark, John Bates. 1895. «The Origin of Interest.» *The Quarterly Journal of Economics*, Vol. 9, n.º 3., April, pp. 257-278.

Böhm-Bawerk, E. 1895. «The Origin of Interest.» *The Quarterly Journal of Economics*, Vol. 9, n.º 4., July, pp. 380-387.

Clark, John Bates. 1895. «Real Issues Concerning Interest.» *The Quarterly Journal of Economics*, Vol. 10, n.º 1., October, pp. 98-102.<sup>31</sup>  
Winner: Clark, non-Austrian.

### 23. Clark (2, interest):

Clark, John Bates. 1899. *Distribution of Wealth*. New York. Macmillan.

Böhm-Bawerk, E. 1906. «Capital and Interest Once More: I. Capital vs. Capital Goods.» *The Quarterly Journal of Economics*, Vol. 21, n.º 1. (Nov., 1906), pp. 1-21.

Böhm-Bawerk, E. 1907. «Capital and Interest Once More: II. A Relapse to the Productivity Theory.» *The Quarterly Journal of Economics*, Vol. 21, n.º 2. (Feb., 1907), pp. 247-282.

Clark, John Bates. 1907. «Concerning the Nature of Capital: A Reply.» *The Quarterly Journal of Economics*, Vol. 21, n.º 3. (May, 1907), pp. 351-370.

Böhm-Bawerk, E. 1907. «The Nature of Capital: A Rejoinder.» *The Quarterly Journal of Economics*, Vol. 22, n.º 1. (Nov., 1907), pp. 28-47.

Winner: Böhm-Bawerk, Austrian.

### 24. Coase (1, social cost)<sup>32</sup>

Coase, Ronald H. 1960. «The Problem of Social Cost,» *Journal of Law and Economics*, 3:1-44.

Block, Walter. 1977. «Coase and Demsetz on Private Property Rights,» *The Journal of Libertarian Studies*, Vol. I, n.º 2, Spring, pp. 111-115.

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<sup>31</sup> While this is the last exchange between Clark and Bohm-Bawerk, Clark (1895, p. 98) states at the beginning of the paper that «Professor v. Böhm-Bawerk is entitled to the last word in the pending discussion. I will neither repeat my former argument nor extend it, but will gladly accept the verdict to which readers may be led by a study of the discussion already published.»

<sup>32</sup> Medema (1997, 1998, 1999) has replied to many, many criticisms of Coase; he has practically made a cottage industry out of this. But he has not replied to a single criticism of Coase published by any Austrian.

Block, Walter. 1995. «Ethics, Efficiency, Coasean Property Rights and Psychic Income: A Reply to Harold Demsetz,» *Review of Austrian Economics*, Vol. 8, n.º 2, pp. 61-126.

Block, Walter. 1996. «O.J.'s Defense: A Reductio Ad Absurdum of the Economics of Ronald Coase and Richard Posner,» *European Journal of Law and Economics*, Vol. 3, pp. 265-286.

Block, Walter. 2000. «Private Property Rights, Erroneous Interpretations, Morality and Economics: Reply to Demsetz,» *Quarterly Journal of Austrian Economics*, Vol. 3, n.º 1, Spring 2000, pp. 63-78.

Block, Walter. 2003. «Private property rights, economic freedom, and Professor Coase: A Critique of Friedman, McCloskey, Medema and Zorn,» *Harvard Journal of Law and Public Policy*, Vol. 26, n.º 3, Summer, pp. 923-951.

Cordato, Roy E. 1989. «Subjective Value, Time Passage, and the Economics of Harmful Effects,» *Hamline Law Review*, Vol. 12, n.º 2, Spring, pp. 229-244.

Cordato, Roy E. 1992. *Welfare Economics and Externalities in an Open-Ended Universe: A Modern Austrian Perspective*, Boston: Kluwer.

Cordato, Roy E. 1997. «Market-Based Environmentalism and the Free Market: They're Not the Same,» *The Independent Review*, Vol. 1, n.º 3, Winter, pp. 371-386.

Cordato, Roy. 1998. «Time Passage and the Economics of Coming to the Nuisance: Reassessing the Coasean Perspective,» *Campbell Law Review*, vol. 20, n.º 2, Spring, pp. 273-292.

Cordato, Roy. 2000. «Chasing Phantoms in a Hollow Defense of Coase» *The Review of Austrian Economics*, Vol. 13, n.º 2, September, pp. 193-208.

Krauss, Michael. 1999. «Tort Law, Moral Accountability, and Efficiency: Reflections on the Current Crisis» *Markets and Morality*, Vol. 2, n.º 1, Spring. [http://www.acton.org/publicat/m\\_and\\_m/1999\\_spr/krauss.html](http://www.acton.org/publicat/m_and_m/1999_spr/krauss.html)

Krecke, Elisabeth. 1996. «Law and the Market Order: An Austrian Critique of the Economic Analysis of Law,» *Journal des Economistes et des Etudes Humaines* 7(1), March, pp. 19-37.

North, Gary. 1992. *The Coase Theorem*, Tyler, Texas: Institute for Christian Economics.

Rothbard, Murray N. 1982. «Law, Property Rights, and Air Pollution,» *Cato Journal*, Vol. 2, n.º 1, Spring.

Winner: Austrians.

### 25. Coase (2, public goods):

Coase, Ronald H. 1974. «The Lighthouse in Economics,» *Journal of Law and Economics*, 17:357-376.

Van Zandt, David E. 1993. «The Lessons of the Lighthouse: 'Government' or 'Private' Provision of Goods.» *Journal of Legal Studies*, Vo. XXII, January, pp. 47-72.

Barnett, William and Walter Block. Unpublished. «Coase and Van Zandt on Lighthouses.»

Winner: Coase, non-Austrian.<sup>33</sup>

### 26. Cowen (business cycle)

Cowen, Tyler. 1997. *Risk and Business Cycles*. London: Routledge.

Barnett, William and Walter Block. Unpublished. «Tyler Cowen on Austrian Business Cycle Theory: A Critique.»

Winner: Cowen, non-Austrian.

### 27. Cowen and Fink (equilibrium)

Cowen and Fink. 1985. «Inconsistent Equilibrium Constructs: The Evenly Rotating Economy of Mises and Rothbard.» *American Economic Review*, 75.4.

Winner: Cowen and Fink, non Austrians.

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<sup>33</sup> Barnett and Block (unpublished) cannot be counted, since it is not published.

## 28. Crampton and Farrant (economic calculation)

Boettke, Peter J. 1999. «Introduction.» *The Legacy of Friedrich von Hayek*. Vol. 1, Peter J. Boettke, ed. Northampton: Edward Elgar.

Boettke, Peter J. 2001. *Calculation and Coordination: Essays on socialism and transitional political economy*. London: Routledge.

Boettke, Peter J., and Edward Lopez. 2002. «Austrian Economics and Public Choice.» *Review of Austrian Economics*. 15(2/3): 111-119.

Boettke, Peter J. and Peter T. Leeson. 2004. «Liberalism, Socialism, and Robust Political Economy.» *Journal of Markets and Morality*. 7:1, Spring: 99-111.

Crampton, E. and A. Farrant. 2006. «Relaxing Benevolence: On the Undesirability of Socialist Calculation when Planners are Homo Economicus.» *Review of Austrian Economics* 19:1, March, pp. 81-93.

Subrick, J. R. 2006. «Back to the Bog, Austrian Style.» *The Review of Austrian Economics*, March: 95-100.

Crampton, E. and A. Farrant. 2006. «Back to the Bog? Subrick, Self-Interest, and Socialist Calculation.» *Review of Austrian Economics* 19:1, March, pp. 101-104.

Crampton, E. and A. Farrant. 2006, forthcoming. «Robust Analytical egalitarianism: Worst-case political economy and the socialist calculation debate.» D. Levy and S. Peart, eds, *The Street Porter and the Philosopher: Conversations on Analytical Egalitarianism*. Ann Arbor: University of Michigan Press.

Winner: Crampton and Farrant, non Austrians.

## 29. Davidson (macroeconomics):

Davidson, Paul. 1989. «The economics of ignorance or ignorance of economics?» *Critical Review*, 3 (Summer/Fall), pp. 467-87.

David L. Prychitko, Jochen Runde, Christopher Torr, Stephan Boehm and Karl Farmer. 1993. «Austrian and Post Keynesian Economics.» *Critical Review* 7 (2-3), pp. 371-422.

Paul Davidson. 1993. «Austrians and Post Keynesians on economic reality: rejoinder to critics.» *Critical Review* 7 (2-3), pp. 423-44.

Winner: Davidson, non-Austrian.

### 30. Demsetz (1, property rights vs. Block)

Block, Walter. 1977. «Coase and Demsetz on Private Property Rights,» *The Journal of Libertarian Studies: An Interdisciplinary Review*, Vol. I, n.º 2, Spring, pp. 111-115, [http://www.mises.org/journals/jls/1\\_2/1\\_2\\_4.pdf](http://www.mises.org/journals/jls/1_2/1_2_4.pdf);

Demsetz, Harold. 1979. «Ethics and Efficiency in Property Rights Systems,» in *Time, Uncertainty and Disequilibrium: Explorations of Austrian Themes*, Mario Rizzo, ed., Lexington Mass.: D.C. Heath and Co., pp. 97-116.

Block, Walter. 1995. «Ethics, Efficiency, Coasean Property Rights and Psychic Income: A Reply to Demsetz,» *Review of Austrian Economics*, Vol. 8, n.º 2, pp. 61-125, [http://www.mises.org/journals/rae/pdf/rae8\\_2\\_4.pdf](http://www.mises.org/journals/rae/pdf/rae8_2_4.pdf)

Demsetz, Harold. 1997. «Block's Erroneous Interpretations,» *Review of Austrian Economics*, Vol. 10, n.º 2, pp. 101-110; [http://www.mises.org/journals/rae/pdf/rae10\\_2\\_6.pdf](http://www.mises.org/journals/rae/pdf/rae10_2_6.pdf)

Block, Walter. 2000. «Private Property Rights, Erroneous Interpretations, Morality and Economics: Reply to Demsetz,» *Quarterly Journal of Austrian Economics*, Vol. 3, n.º 1, Spring, pp. 63-78; [http://www.mises.org/journals/qjae/pdf/qjae3\\_1\\_8.pdf](http://www.mises.org/journals/qjae/pdf/qjae3_1_8.pdf);

Winner: Block, Austrian.

### 31. Demsetz (2, property rights vs. Egger)

Demsetz, Harold. 1979. «Ethics and Efficiency in Property Rights Systems,» in *Time, Uncertainty and Disequilibrium: Explorations of Austrian Themes*, Mario Rizzo, ed., Lexington Mass.: D.C. Heath and Co., pp. 97-116.

Egger, John B. 1979. «Efficiency is Not a Substitute for Ethics.» In *Time, Uncertainty and Disequilibrium: Explorations of Austrian Themes*, Mario Rizzo, ed. Lexington, Mass.: Lexington Books, D.C. Heath and Company: 117-125

Winner: Egger, Austrian.<sup>34</sup>

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<sup>34</sup> Egger «wins» based on pagination.

### 32. Drewnowski (Soviet economics)

Drewnowski, Jan. 1961. «The Economic Theory of Socialism: A Suggestion for Reconsideration,» *Journal of Political Economy*, Vol. 69, Issue 4 August, pp. 341-354.

Roberts, Paul Craig. 1967. «Drewnowski's Economic Theory of Socialism,» *Journal of Political Economy*, Vol.76, Issue 4, Part 1, Jul-Aug., pp. 654-650.

Drewnowski, Jan. 1971. «Drewnowski's Economic Theory of Socialism, by Paul Craig Roberts: A Reply,» *The Journal of Political Economy*, Vol.79, Issue 1. Jan-Feb., pp. 196-199.

Roberts, Paul Craig. 1972. «Revealed Planners' Preferences Once Again: A Rebuttal to Drewnowski,» *The Journal of Political Economy*, Vol. 80, Issue 3, Part 1. May-Jun, pp. 608-611.

Winner: Roberts, Austrian.

### 33. Easterbrook (inside trading):

Easterbrook, Frank H. 1981. «Insider Trading, Secret Agents, Evidentiary Privileges, and the Production of Information.» *Supreme Court Review*: 309-65.

Easterbrook, Frank H. 1985. «Insider Trading as an Agency Problem.» In John W. Pratt and Richard J. Zeckhauser, eds. *Principals and Agents: The Structure of Business*. Boston, Mass.: Harvard Business School Press. Pp. 81-99.

Padilla, Alexandre. 2002. «Can Agency Theory Justify the Regulation of Insider Trading.» *Quarterly Journal of Austrian Economics* Vol. 5, n.º 1 (spring): 3-38.

Padilla, Alexandre. 2006. «The Regulation of Insider Trading as an Agency Problem.» *Florida State University Business Review*, Forthcoming.

Winner: Padilla, Austrian.



### 34. Eichengreen and Mitchener (business cycle)

Eichengreen, Barry and Kris Mitchener. 2003. «The Great Depression as a Credit Boom Gone Wrong,» paper delivered to the Conference on «Monetary stability, financial stability and the business cycle,» 28-29 March, Basel

Winner: Eichengreen and Mitchener, non-Austrians.

### 35. Elzinga (anti trust)

Tucker, Jeffrey. 1998. «Controversy: Are Antitrust Laws Immoral?» *Journal of Markets & Morality*. Vol. 1, n.º 1, March; [http://www.acton.org/publicat/m\\_and\\_m/1998\\_mar/tucker.html](http://www.acton.org/publicat/m_and_m/1998_mar/tucker.html)

Elzinga, Kenneth G. 1998. «Controversy: Are Antitrust Laws Immoral? A Response to Jeffrey Tucker.» *Journal of Markets & Morality*. Vol. 1, n.º 1, March; [http://www.acton.org/publicat/m\\_and\\_m/1998\\_mar/elzinga.html](http://www.acton.org/publicat/m_and_m/1998_mar/elzinga.html)

Tucker, Jeffrey. 1998. «Controversy: Are Antitrust Laws Immoral? A Response to Kenneth G. Elzinga.» *Journal of Markets & Morality*. Vol. 1, n.º 1, March; [http://www.acton.org/publicat/m\\_and\\_m/1998\\_mar/tucker2.html](http://www.acton.org/publicat/m_and_m/1998_mar/tucker2.html)

Winner: Tucker, Austrian.

### 36. Freeman (labor markets):

Freeman, Richard B. 1993. «Labor Markets and Institutions in Economic Development,» *American Economic Review*, Vol. 83, n.º 2, May, pp. 403-408.

Block, Walter. 1996. «Comment on Richard B. Freeman's 'Labor markets and institutions in economic development,'» *International Journal of Social Economics*, Vol. 23, n.º 1, pp. 6-16; [http://141.164.133.3/faculty/Block/Blockarticles/comments\\_RichardBFreeman.htm](http://141.164.133.3/faculty/Block/Blockarticles/comments_RichardBFreeman.htm)

Winner: Block, Austrian.

**37. Friedman (1, misc.)**

Rothbard, Murray N. 2002. «Milton Friedman Unraveled.» *Journal of Libertarian Studies*, Vol. 16, n.º 4, Fall, pp. 37-54; [http://www.mises.org/journals/jls/16\\_4/16\\_4\\_3.pdf](http://www.mises.org/journals/jls/16_4/16_4_3.pdf)

Winner: Rothbard, Austrian.

**38. Friedman (2, gold)**

Friedman, Milton. 1960. *A Program for Monetary Stability*, New York: Fordham University Press.

Block, Walter. 1999. «The Gold Standard: A Critique of Friedman, Mundell, Hayek, Greenspan,» *Managerial Finance*, Vol. 25, n.º 5, pp. 15-33; <http://giorgio.emeraldinsight.com/vl=4558845/cl=18/nw=1/rpsv/cw/www/mcb/03074358/contp1-1.htm>; <http://www.mises.org/etexts/goldcritique.pdf>; <http://141.164.133.3/faculty/Block/Blockarticles/goldstandard.htm>

**39. Friedman, David (methodology)**

Friedman, David. 1996. *Hidden Order: The Economics of Everyday Life*. New York: HarperCollins, pp. 34-36.

Murphy, Robert. 2000. «Absurd Assumptions & Counterintuitive Conclusions: The Case of David Friedman.» *Reason Papers*, n.º 25, Fall, pp. 69-72.

Winner: Murphy, Austrian.

**40. Galbraith (advertising)**

Galbraith, John Kenneth. 1958. *The Affluent Society*, Boston: Houghton-Mifflin.

Hayek, Friedrich A. 1967. «The Non Sequitur of the 'Dependence Effect,'» in *Studies in Philosophy, Politics and Economics*, New York, Simon and Schuster.

Winner: Hayek, Austrian.

#### 41. Gallaway and Vedder (unemployment)

Gallaway, Lowell, and Richard K. Vedder. 1987. «Wages, Prices, and Employment: Von Mises and the Progressives.» *Review of Austrian Economics*. Vol. 1: 33-80.

Gallaway, Lowell, and Vedder, Richard. 1992. *Out of Work: Unemployment and Government in 20<sup>th</sup> Century America*. New York: Holmes and Meier.

Barnett, William II and Walter Block. Forthcoming. «On Gallaway and Vedder on Stabilization Policy». *Quarterly Journal of Austrian Economics*.

Winner: Barnett and Block, Austrians.

#### 42. Gutierrez (methodology)

Gutierrez, Claudio. 1971. «The Extraordinary Claim of Praxeology,» *Theory and Decision*, Vol. 1, pp. 327-336.

Block, Walter. 1973. «A Comment on 'The Extraordinary Claim of Praxeology,' by Professor Gutierrez,» *Theory and Decision*, Vol. 3, n.º 4, June, pp. 377-387.

Winner: Block, Austrian.

#### 43. Hahn (investment)

Lachmann, Ludwig M. 1948. «Investment Repercussions.» *The Quarterly Journal of Economics*, Vol. 62, n.º 5, November, pp. 698-713.

Hahn, Dorothy. 1949. «Investment Repercussions: A Comment.» *The Quarterly Journal of Economics*, Vol. 63, n.º 3, August, pp. 430-432.

Lachmann, Ludwig M. 1949. «Investment Repercussions: Reply.» *The Quarterly Journal of Economics*, Vol. 63, n.º 3, August, pp. 432-434.

Winner: Lachmann, Austrian.

#### 44. Harberger (admirable economists)

Harberger, Arnold C. 1993. Richard T. Ely Lecture «The Search for Relevance in Economics,» *American Economic Review*, Vol. 83, n.º 2, May, pp. 1-16.

Harberger, Arnold C. 1993. «Secrets of Success: A Handful of Heroes,» *American Economic Review*, Vol. 83, n.º 2, May, pp. 343-350.

Block, Walter. 1997. «Comment on Harberger's Richard T. Ely Lecture 'The Search for Relevance in Economics' and 'Secrets of Success: A Handful of Heroes,'» *Entrepreneurship, Innovation and Change*, Vol. 6, n.º 1, March, pp. 57-66; <http://141.164.133.3/faculty/Block/Blockarticles/commentsonharberger.htm>

Winner: Block, Austrian.

#### 45. Hilferding (tba)

Böhm-Bawerk, Eugen von. 1896. «Zum Abschluß des Marxschen Systems. In Otto von Boenigk (ed.)» *Staatswissenschaftliche Arbeiten*. Berlin: Festgabe für Karl Knies.

Hilferding, Rudolf. 1904. «Böhm-Bawerks Marx-Kritik.» In M. Adler and R. Hilferding (Eds.), *Marx-Studien*, Vol. 1. Vienna.

Joan Robinson also criticized Böhm-Bawerk (cite tba).

Winner: Hilferding, Robinson, non-Austrians.

#### 46. Hill, R. and Rushton, M. (public finance)

Hill, Roderick, and Rushton, Michael. 1994. «Communication; Walter Block and public finance: a comment,» *Canadian Public Administration*, Vol. 37, n.º 2, Summer, pp. 365-366.

Block, Walter. 1995. «Reply to Hill and Rushton on Public Finance,» *Canadian Public Administration*, Vol. 38, n.º 3, Fall, pp. 485-486.

Winner: Block, Austrian.

**47. Hill, G. (Keynes on capitalism):**

Hill, G. 1996a. «The moral economy: Keynes's critique of capital justice.» *Critical Review*, 10 (winter), pp. 33-61.

Horwitz, S. 1996. «Keynes on capitalism: reply to Hill.» *Critical Review*, 10 (summer), pp. 353-72.

Hill, G. 1996b. «Capitalism, coordination, and Keynes: rejoinder to Horwitz.» *Critical Review*, 10 (summer), pp. 373-87.

Horwitz, S. 1998. «Keynes and capitalism one more time: a further reply to Hill.» *Critical Review*, 10 (summer), pp. 95-111.

Hill, G. 1998. «An ultra-Keynesian strikes back; rejoinder to Horwitz.» *Critical Review*, 12 (winter-spring), pp. 113-26.

Winner: Hill, non Austrian.

**48. Hummell (business cycle):**

Hummel, Jeffrey R. 1979. «Problems with Austrian Business Cycle Theory.» *Reason Papers*, n.º 5, winter, 41-53.

Barnett, William II and Walter Block. Forthcoming. «Reply to Hummell on Austrian Business Cycle Theory.» *Reason Papers*.

Winner: Barnett and Block, Austrians.

**49. Hutchison (methodology)**

Hutchison, T.W. 1984. *The Politics and Philosophy of Economics*. New York: New York University Press: 176-232.

Winner: Hutchison, non-Austrian.

**50. Keynes (1, the early years):**

Keynes, John Maynard. 1914. «Ludwig von Mises' *Theorie des Geldes*», *Economic Journal*.

Hayek, F.A. 1931. «Reflections on the Pure Theory of Money of Mr. J.M. Keynes.» *Economica*, Vol. 11, n.º 33 (August), pp. 270-295.

Keynes, J.M. 1931. «The Pure Theory of Money: A Reply to Dr. Hayek.» *Economica*, 11, November, pp. 387-397.

Hayek, F.A. 1931. «A Rejoinder to Mr. Keynes.» *Economica*, 11, November, pp. 398-403.

Hayek, F.A. 1931-1932. «Reflections on the Pure Theory of Money of Mr. J.M. Keynes,» *Economica*.

Hayek, F.A. 1932. «Reflections on the Pure Theory of Money of Mr. J.M. Keynes (continued).» *Economica*, Vol. 12, n.º 35 (February), pp. 22-44.

Sraffa, Pierro. 1932. «Dr. Hayek on Money and Capital», *Economic Journal*.

Keynes, John Maynard. 1936. *General Theory of Employment, Interest and Money*, New York: Harcourt, Brace.

Winner: Keynes, non-Austrian.<sup>35</sup>

## 51. Keynes (2, the later years)

Von Mises, Ludwig. 1951. «The Symptomatic Keynes: Review of Harrod's Biography.» *The Freeman*.

Hazlitt, Henry. 1959. *The Failure of the «New Economics,»* New York: Van Nostrand.

Rothbard, Murray N. 1959. «Challenge to Keynes.» Review of *The Failure of the New Economics*, *National Review*, August 15, pp. 279-280.

Rothbard, Murray N. 1960a. «One-Two Punch.» Review of *The Critics of Keynesian Economics*, by H. Hazlitt (ed.). *National Review*, December 3, pp. 350-351.

Hayek, Friedrich A. 1972. *A Tiger by the Tail*. London: Institute of Economic Affairs.

Hutt, William H. 1979. *The Keynesian Episode*, Indianapolis: Liberty Press.

Hazlitt, Henry, ed. 1983. *The Critics of Keynesian Economics*, New York: New York University Press.

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<sup>35</sup> But see Hayek, F. A. 1939. «Mr. Keynes and War Costs». *The Spectator*. Nov 24. However, as this is not an academic review, it does not count for our purposes.

Smiley, Gene. 1987. «Some Austrian Perspectives on Keynesian Fiscal Policy and the Recovery in the Thirties,» *Review of Austrian Economics*, Vol. 1, pp. 145-179.

Garrison, Roger. 1991. «New Classical and Old Austrian Economics.» *Review of Austrian Economics*. 5.1.

Salerno, Joseph T. 1992. «The Development of Keynes's Economics: From Marshall to Millennialism,» *Review of Austrian Economics*, Vol. 6, n.º 1, pp. 3-64.

Skousen, Mark, ed. 1992. *Dissent on Keynes, A Critical Appraisal of Economics*. New York: Praeger.

Hoppe, Hans Hermann. 1992. «The Misesian Case Against Keynes.» in *Dissent on Keynes, A Critical Appraisal of Economics*, Mark Skousen, ed. Pp. 199-223. New York: Praeger.

Garrison, Roger W. 1995. «Keynes Was a Keynesian,» *Review of Austrian Economics*, Vol. 9, n.º 1, pp. 165-172.

Butos, William N. 2001. «Garrison and the 'Keynes Problem.'» *The Quarterly Journal of Austrian Economics*. Vol. 4, n.º 3, pp. 5-16.

Van den Hauwe, Ludwig. 2000. «Hayek-Keynes Debate, The Lessons for Current Business Cycle Research» *The Quarterly Journal of Austrian Economics* vol. 3, n.º 2: pp. 63-79.

Garrison, Roger W. 2001. *Time and Money: The Macroeconomics of Capital Structure*. London: Routledge.

Garrison, Roger W. 2004. «Overconsumption and Forced Saving in the Mises-Hayek Theory of the Business Cycle» *History of Political Economy* vol. 36, n.º 2 (summer).

Winner: Austrians.<sup>36</sup>

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<sup>36</sup> Krugman, 2006 (see [http://delong.typepad.com/sdj/2006/03/krugmans\\_intro\\_.html](http://delong.typepad.com/sdj/2006/03/krugmans_intro_.html)) is later than any Austrian critique of Keynes. Why, then, do we declare the Austrians the winner? Because modern Keynesians such as Krugman do not reply to the Austrians, while the latter criticize the Keynesians. In terms of our model of A, B, A', B', etc., when an Austrian attacks a Keynesian, and the latter does not reply, we have only the A of the Austrian.

## 52. Knight (1, capital and interest)

Hayek, Friedrich A. 1934. «The Relationship between Investment and Output.» *Economic Journal*, Vol. 44, n.º 174, June, pp. 207-231.

Knight, Frank H. 1935. «Professor Hayek and the Theory of Investment».  
*Economic Journal*, Vol. 45 (177) (March), pp. 77-94.

Hayek, Friedrich A. 1936. «The Mythology of Capital.» *The Quarterly Journal of Economics*, Vol. 50, n.º 2. (Feb., 1936), pp. 199-228.

Knight, Frank H. 1936. «The Quantity of Capital and the Rate of Interest: I.» *The Journal of Political Economy*, Vol. 44, n.º 4. (Aug., 1936), pp. 433-463.

Knight, Frank H. 1936. «The Quantity of Capital and the Rate of Interest: II.» *The Journal of Political Economy*, Vol. 44, n.º 5. (Oct., 1936), pp. 612-642.

Winner: Knight, non Austrian.<sup>37</sup>

## 53. Knight (2. period of production)

Knight, Frank H. 1933. «Capitalistic production, time and the rate of return.» In *Economic essays in honour of Gustav Cassel*. London: George Allen & Unwin, pp. 327-42.

Knight, Frank H. 1934. «Capital, Time, and the Interest Rate.» *Economica*, New Series, Vol. 1, n.º 3, August, pp. 257-286.

Machlup, Fritz. 1935a. «Professor Knight and the 'Period of Production'.» *The Journal of Political Economy*, Vol. 43, n.º 5, October, pp. 577-624.

Knight, Frank H. 1935a. «Professor Knight and the 'Period of Production': Comment.» *The Journal of Political Economy*, Vol. 43, n.º 5, October, pp. 625-627.

Machlup, Fritz. 1935b. «The 'Period of Production': A Further Word.» *The Journal of Political Economy*, Vol. 43, n.º 6, December, p. 808.

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<sup>37</sup> Emmett (1997) and Cohen (1998) seem to disagree with that idea. See also: <http://www.augustana.ab.ca/~emmer/Capital/Theme3.html>



Knight, Frank H. 1935b. «The 'Period of Production': A Final Word.» *The Journal of Political Economy*, Vol. 43, n.º 6, December, p. 808.

Winner: Knight, non-Austrian.

#### 54. Laidler (business cycle)

Laidler, David. 2003. «The price level, relative prices, and economic stability: aspects of the interwar debate,» paper delivered to the Conference on «Monetary stability, financial stability and the business cycle,» 28-29 March, Basel.

Block, Walter and William Barnett, II. Forthcoming. «On Laidler on Austrian Business Cycle Theory.» *Review of Austrian Economics*

Winner: Block and Barnett, Austrians.

#### 55. Lange (Socialism)

Lange, Oskar. 1936. «On the Economic Theory of Socialism, Part One.» *The Review of Economic Studies* pp. 53-71.

Murphy, Robert. Forthcoming. «Cantor's Diagonal Argument: An Extension to the Socialist Calculation Debate.» *The Quarterly Journal of Austrian Economics*.

Winner: Murphy, Austrian.

#### 56. Lawson (efficiency)

Lawson, Gary. 1992. «Efficiency and Individualism.» *Duke Law Journal*. Vol. 42, pp. 53-98.

Block, Walter. 2000. «Efficiency, Individualism, Praxeology and Law: Reply to Lawson,» *The Asian Economic Review*, Vol. 42, n.º 1, April, pp. 172-182.

Winner: Block, Austrian.

### 57. MacVane, White, Bilgram, and Hawley (capital)

MacVane, S.M. 1890. «Böhm-Bawerk on Value and Wages.» *The Quarterly Journal of Economics*, Vol. 5, n.º 1 (October), pp. 24-43.

Bilgram, Hugo. 1892. «Positive Theory of Capital: Comments.» *The Quarterly Journal of Economics*, Vol. 6, n.º 2, January, pp. 190-206.

White, Horace. 1892. «Böhm-Bawerk on Capital.» *Political Science Quarterly*, Vol. 7, n.º 1, March, pp. 133-148.

Hawley, Frederick B. 1892. «The Fundamental Error of *Kapital und Kapitalzins*.» *The Quarterly Journal of Economics*, Vol. 6, n.º 3, April, pp. 280-307.

Böhm-Bawerk, E. 1896. «The Positive Theory of Capital and Its Critics: III» *The Quarterly Journal of Economics*, Vol. 10, n.º 2, January, pp. 121-155.

Winner: Böhm-Bawerk, Austrian.

### 58. MacVane and Green (utility)

MacVane and Green. Tba. *Annals of the American Academy of Political and Social Science*,

MacVane, S.M. 1890. «Böhm-Bawerk on Value and Wages.» *The Quarterly Journal of Economics*, Vol. 5, n.º 1, October, pp. 24-43.

Wieser, F. 1892. «The Theory of Value: A Reply to Professor MacVane» *Annals of the American Academy of Political and Social Science* II (1891-1892) (March), pp. 600-28.

MacVane, S.M. 1893. «Marginal Utility and Value.» *The Quarterly Journal of Economics*, Vol. 7, n.º 3. (Apr., 1893), pp. 255-285.

Winner: MacVane, non-Austrian.

### 59. McCloskey (1, rhetoric)

McCloskey, D.N. 1985. *The Rhetoric of Economics*, University of Wisconsin Press.

Hoppe, Hans-Hermann. 1989. «In Defense of Extreme Rationalism: Thoughts on Donald McClosky's *The Rhetoric of Economics*,» *Review of Austrian Economics*, 3, pp. 179-214.

McCloskey, D.N. «Reply to Hoppe» tba.

Radnitzky, Gerard and Hardly Bouillon, eds. 1995. «Values and the social order», *Values and Society*; <http://www.libertaere.ch/pdflib/libertarian-jasay/hoppe-apri.pdf>

Winner: McCloskey, Radnitzky and Bouillon, non-Austrians.

#### **60. McCloskey (2, persuasion)**

McCloskey, Donald (Deirdre) N. 1994. *Knowledge and Persuasion in Economics*. New York: Cambridge University Press: 27-52; 313-323.

Winner, McCloskey non-Austrian.

#### **61. McCready and Maloney (wealth taxation)**

McCready, Douglass J. 1992. «Wealth taxes: further arguments against.» *Canadian Public Administration*. Vol. 35, n.º 4, winter, pp. 534-538.

Maloney, Maureen A. 1992. «The case against wealth taxation: a reply.» *Canadian Public Administration*. Vol. 35, n.º 4, winter, pp. 539-541.

Block, Walter. 1992. «Comment on McCready and Maloney on Wealth Taxation,» *Canadian Public Administration*, Vol. 35, n.º 4, winter, pp. 542-548.

Winner: Block, Austrian.

#### **62. Modigliani (price control)**

Modigliani, Franco. 1994. «When Price Controls Benefit All,» *Wall Street Journal*, March.

Block, Walter. 1995. «Professor Modigliani on price controls: the baleful influence of the perfectly competitive model,» *International Journal of Social Economics*, Vol. 22, n.º 5, pp. 27-30.

Winner: Block, Austrian.

### 63. Mundell (currency areas)

Mundell, Robert. 1961. «Optimal Currency Areas,» *American Economic Review*, Vol. 51, September, pp. 657-664.

Mundell, Robert A. 1973. «Uncommon Arguments for Common Currencies.» In Harry G. Johnson and Alexander K. Swoboda, eds. *The Economics of Common Currencies*. Cambridge, Massachusetts: Harvard University Press: 114-32.

Block, Walter. 1999. «The Gold Standard: A Critique of Friedman, Mundell, Hayek, Greenspan,» *Managerial Finance*, Vol. 25, n.º 5, pp. 15-33; <http://giorgio.emeraldinsight.com/vl=4558845/cl=18/nw=1/rpsv/cw/www/mcb/03074358/contp1-1.htm>; <http://www.mises.org/etexts/goldcritique.pdf>; <http://141.164.133.3/faculty/Block/Blockarticles/goldstandard.htm>.

Glavan, Bogdan. 2004. «The Failure of OCA Analysis,» *The Quarterly Journal of Austrian Economics*. Vol. 7, n.º 2, pp. 29-46  
Winner: Glavan, Block, Austrian.

### 64. Murphey (allocation)

Murphey, Dwight D. 1999. «Controversy: Do Market Economies Allocate Resources Optimally?,» *The Journal of Markets and Morality*, Vol. 2, n.º 2, Fall, pp. 271-278; [http://www.acton.org/publicat/m\\_and\\_m/1999\\_fall/murphey1.html](http://www.acton.org/publicat/m_and_m/1999_fall/murphey1.html)

Block, Walter. 1999. «Controversy: Do Market Economies Allocate Resources Optimally? A Response to Murphey,» *The Journal of Markets and Morality*, Vol. 2, n.º 2, Fall, pp. 279-289; [http://www.acton.org/publicat/m\\_and\\_m/1999\\_fall/block2.html](http://www.acton.org/publicat/m_and_m/1999_fall/block2.html); <http://141.164.133.3/faculty/Block/Blockarticles/controversy289.htm>.

Murphey, Dwight D. 1999. «Controversy: Do Market Economies Allocate Resources Optimally? A Response to Walter Block,» *The Journal of Markets and Morality*, Vol. 2, n.º 2, Fall, pp. 290-296; [http://www.acton.org/publicat/m\\_and\\_m/1999\\_fall/murphey2.html](http://www.acton.org/publicat/m_and_m/1999_fall/murphey2.html).

Block, Walter. 1999. «Controversy: Do Market Economies Allocate Resources Optimally? Another Response to Murphey,» *The Journal of Markets and Morality*, Vol. 2, n.º 2, Fall, pp. 297-306;

[http://www.acton.org/publicat/m\\_and\\_m/1999\\_fall/murphey2.html](http://www.acton.org/publicat/m_and_m/1999_fall/murphey2.html); <http://141.164.133.3/faculty/Block/Blockarticles/controversy306.htm>

Winner: Block, Austrian.

#### **65. Musgrave (tax justification)**

Auld, A.L., and F.C. Miller. 1982. *Principles of Public Finance: A Canadian Text*, Toronto, Methuen.

Musgrave, Richard A., Peggy B. Musgrave and Richard M. Bird. 1987. *Public Finance in Theory and Practice*, first Canadian edition, Toronto: McGraw-Hill Ryerson, Ltd.

Block, Walter. 1993. «Canadian Public Finance Texts Cannot Justify Government Taxation: A Critique of Auld & Miller; Musgrave, Musgrave & Bird; McCready; and Wolf,» *Canadian Public Administration*, Vol. 36, n.º 2, Fall, pp. 225-262.

Winner: Block, Austrian.

#### **66. North (institutionalism)**

Stromberg, Joseph R. 2002. «Douglass C. North and Non-Marxist Institutional Determinism.» *Journal of Libertarian Studies*. Vol. 16, n.º 4, Fall, pp. 101-137; [http://www.mises.org/journals/jls/16\\_4/16\\_4\\_6.pdf](http://www.mises.org/journals/jls/16_4/16_4_6.pdf)

Winner: Stromberg, Austrian.

#### **67. Nove (communism)**

Boettke, Peter J. 1988. «The Soviet Experiment with Pure Communism.» *Critical Review*, Vol. 2, n.º 4, Fall, pp. 149-182.

Nove, Alec. Tba. «The Soviet Experiment with Pure Communism: Reply to Boettke.» *Critical Review*, Vol. 5, n.º 1.

Boettke, Peter J. 1991. «The Soviet Experiment with Pure Communism: Rejoinder to Nove.» *Critical Review*, Vol. 5, n.º 1, pp. 123-28.

Nove, Alec. Tba «Ideology, Planning and the Market,» *Critical Review*, Vol. 5, n.º 4.

Winner: Nove, non Austrian.

#### 68. Nozick (methodology)

Nozick, Robert. 1977. «On Austrian Methodology,» *Synthese*, Vol. 36, pp. 353-392

Block, Walter. 1980. «On Robert Nozick's 'On Austrian Methodology'.» *Inquiry*, Vol. 23, n.º 4, Fall, pp. 397-444.

Hoppe, Hans Hermann. 2005. «Must Austrians Embrace Indifference?,» *Quarterly Journal of Austrian Economics*, Vol. Num. , Winter, pp.; <http://www.Mises.org/story/2003>.

Winner: Block and Hoppe, Austrians.<sup>38</sup>

#### 69. Posner (law and economics)

Posner, Richard 1983. *The Economics of Justice*. Cambridge, Mass.: Harvard University Press.

Stringham, Edward and White, Mark. 2004. «Economic Analysis of Tort Law: Austrian and Kantian Perspectives» in *Law and Economics: Alternative Economic Approaches to Legal and Regulatory Issues*, Margaret Oppenheimer and Nicholas Mercuro (editors) New York: M. E. Sharpe, 374-92.

Winner: Stringham, Austrian.

#### 70. Prendergast (managerial economics)

Prendergast, Canice. 1993. «A Theory of Yes Men.» *American Economic Review*. Vol. 83, n.º 4, pp. 757-770.

Block, Walter. 2001. «Comment on Canice Prendergast's 'A Theory' of 'Yesmen,'» *Quarterly Journal of Austrian Economics*,

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<sup>38</sup> Nozick always «loses» since he never replies to critics.

Vol. 4, n.º 2, summer, pp. 61-68; [http://www.mises.org/journals/qjae/pdf/qjae4\\_2\\_5.pdf](http://www.mises.org/journals/qjae/pdf/qjae4_2_5.pdf).

Winner: Block, Austrian.

#### **71. Radin (1, markets)**

Radin, Margaret Jane. 1987. «Market-Inalienability» *Harvard Law Review*, Volume 100, n.º 8, June, pp. 1849-1937.

Block, Walter. 1999. «Market Inalienability Once Again: Reply to Radin,» *Thomas Jefferson Law Journal*, Vol. 22, n.º 1, Fall, pp. 37-88.

Winner: Block, Austrian.

#### **72. Radin (2, rent control)**

Radin, Margaret Jane. 1986. «Residential Rent Control.» *Philosophy and Public Affairs*. Vol. 15. pp. 350-380.

Block, Walter. 2002. «A critique of the legal and philosophical case for rent control,» *Journal of Business Ethics*, Vol. 40, pp. 75-90.

Winner: Block, Austrian.

#### **73. Rasmusen (monopoly)**

Rasmusen, Eric B., Ramseyer, J. Mark, and Wiley, John S. 1991. «Naked Exclusion,» *American Economic Review*, Vol. 81, n.º 5, December, pp. 1137-1145.

Block, Walter. 1999. «Naked Exclusion.» *Humanomics*. Vol. 15, n.º 4, pp. 141-148.

Winner: Block, Austrian.

#### **74. Rees**

Rees, Albert. 1993. «The Role of Fairness in Wage Determination,» *Journal of Labor Economics*, Vol. 11, n.º 1, Part 1, pp. 243-252.

Block, Walter. 1996. «Labor Market Disputes: A Comment on Albert Rees' 'Fairness in Wage Distribution,'» *Journal of Interdisciplinary Economics*, Vol. 7, n.º 3, pp. 217-230; <http://141.164.133.3/faculty/Block/Blockarticles/labormarketdisputes.htm>.

Winner: Block, Austrian.

### 75. Rolph (discounting)

Rolph, Earl. 1951. «The Discounted Marginal Productivity Doctrine,» in *Readings in the Theory of Income Distribution*. Homewood, IL: Richard D. Irwin, pp. 278-293.

Block, Walter. 1990. «The Discounted Marginal Value Product - Marginal Value Product Controversy: A Note,» *Review of Austrian Economics*, Vol. IV, pp. 199-207; [http://www.mises.org/journals/rae/pdf/rae4\\_1\\_7.pdf](http://www.mises.org/journals/rae/pdf/rae4_1_7.pdf); [http://www.mises.org/journals/rae/pdf/R4\\_7.pdf](http://www.mises.org/journals/rae/pdf/R4_7.pdf).

Winner: Block, Austrian.

### 76. Romer (productivity)

Romer, David. 1996. *Advanced Macroeconomics*, New York: The McGraw-Hill Companies, Inc., p. 41.

Murphy, Robert. 2005. «Dangers of the One-Good Model: Böhm-Bawerk's Critique of the 'Naïve Productivity Theory' of Interest.» *Journal of the History of Economic Thought*, Vol. 27, n.º 4, December, pp. 375-382.

Winner: Murphy, Austrian.

### 77. Rosen (legitimacy of Austrian economics)

Rosen, Sherwin. 1997. Austrian and Neoclassical Economics: Any Gains from Trade?, *Journal of Economic Perspectives*, Vol. 11, n.º 4, Fall, pp. 139-152.

Yeager, Leland. 1997. «Austrian Economics, Neoclassicism, and the Market Test,» *Journal of Economic Perspectives*, Vol. 11, n.º 4, Fall 1997, pp. 153-163.



Vedder, Richard, and Lowell Gallaway. 2000. «The Austrian Market Share in the Marketplace for Ideas, 1871-2025,» *The Quarterly Journal of Austrian Economics*, Vol. 3, n.º 1, Spring, pp. 33-42.

Laband, David N. and Robert D. Tollison. 2000. «On Secondhandism and Scientific Appraisal.» *Quarterly Journal of Austrian Economics* 3(1): 43-48.

Backhouse, Roger E. 2000. «Austrian Economics and the Mainstream: View from the Boundary.» *Quarterly Journal of Austrian Economics* 3(2): 31-43.

Block, Walter. 2000. «Austrian Journals: A Critique of Rosen, Yeager, Laband and Tollison and Vedder and Gallaway,» *Quarterly Journal of Austrian Economics*, Vol. 3, n.º 2, Summer, pp. 45-61; [http://www.mises.org/journals/qjae/pdf/qjae3\\_2\\_4.pdf](http://www.mises.org/journals/qjae/pdf/qjae3_2_4.pdf).

Yeager, L. B. 2000. «The Tactics of Secondhandism.» *Quarterly Journal of Austrian Economics* 3(3): 51-61.

Anderson, William L. 2000. «Austrian Economics and the 'Market Test': A Comment on Laband and Tollison.» *Quarterly Journal of Austrian Economics* 3(3): 63-73.

Winner: Anderson, Austrian.

## 78. Schmoller<sup>39</sup>

Schmoller Gustav Von. 1873. A review of Menger's *Principles* (A translation appears as Appendix A in Bruce Caldwell, *Hayek's Challenge*, 2004.)

Menger, Carl. 1883. *Untersuchungen über die Methode der Sozialwissenschaften und der politischen Ökonomie insbesondere*. Leipzig: Duncker & Humblot. Translated into English by Francis J. Nock as *Investigations into the Method of the Social Sciences with Special Reference to Economics*, ed. Louis Schneider. New York: New York University Press, 1985.

Schmoller, Gustav Von. 1883. «Zur Methodologie der Staats und Sozialwissenschaften.» In Schmoller's *Jahrbuch fuer Gesetzgebung, Verwaltung und Volkswirtschaft*, Vol. VII, pp. 975-94.

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<sup>39</sup> Methodenstreit: Carl Menger vs. German Historical School.

Menger, Carl. 1884. *Die Irrtümer des Historismus in der Deutschen Nationalökonomie*. Vienna: Alfred Hoelder. Translated into English as *The Errors of Historicism in the German Political Economy*.

Winner: Carl Menger, Austrian.<sup>40</sup>

### 79. Schuller

Schuller, George J. 1950. «Review of Human Action by Ludwig von Mises.» *American Economic Review*, Vol. 40 n.º 3: 418-22.

Rothbard, Murray N. 1951a. «Mises' 'Human Action': Comment.» *American Economic Review*, Vol. 41 n.º 1: 181-185.

Schuller, George J. 1951. «Mises' 'Human Action': Rejoinder.» *American Economic Review*, Vol. 41 n.º 1: 185-190.

Rothbard, Murray N. 1951b. «Praxeology: Reply to Mr. Schuller.» *American Economic Review* Vol. 41 n.º 5: 943-946.

Winner: Rothbard, Austrian.

### 80. Schumpeter

Schumpeter, J. 1954. *History of Economic Analysis*. NY: Oxford University Press.

Caplan, Bryan and Edward Stringham. 2005. «Mises, Bastiat, Public Opinion, and Public Choice» *Review of Political Economy*, Vol. 17, n.º 1, January, 79-105.

Winner: Caplan<sup>41</sup> and Stringham, Austrians.

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<sup>40</sup> Schmoller stated in his journal that the pamphlet was not worth a review and that he had returned it to Menger, but he did reprint the insulting letter which accompanied the returned book. The insulting letter' is reprinted in the *Jahrbuch* (Hayek, 'Carl Menger', reprinted in 'Fortunes of Liberalism', p. 80. Schmoller's letter is translated in fn. 53.)

<sup>41</sup> The paradoxes pile up here. In the view of the present authors, Caplan is certainly not an Austrian. In contrast, Schumpeter is widely considered to be in this category. Yet, we stick with our assessment in this case. If there is any fault, here, it lies with our thesis, which we have taken great pains to disavow.

**81. Simons**

Block, Walter. 2002. «Henry Simons Is Not A Supporter of Free Enterprise,» *Journal of Libertarian Studies*, Vol. 16, n.º 4, Fall, pp. 3-36; [http://www.mises.org/journals/jls/16\\_4/16\\_4\\_2.pdf](http://www.mises.org/journals/jls/16_4/16_4_2.pdf).

Winner: Block, Austrian.

**82. Shleifer and Levy (the USSR failed due to public choice considerations, not Austrian incalculability)**

Shleifer, A and Vishny, R: 1994. «The Politics of Market Socialism.» *Journal of Economic Perspectives*. Vol. 8, n.º 2, pp. 165-176.

Levy, D. 1990. «The Bias in Centrally Planned Economies.» *Public Choice*. Vol. 67, n.º 3, pp. 213-26.

Winners: Shleifer and Vishny and Levy, non Austrians.

**83. Simpson and Kjar (circular flow)**

Simpson, Barry Dean and Scott A. Kjar. 2005. «Circular Flow, Austrian Price Theory, and Social Appraisalment.» *Quarterly Journal of Austrian Economics*. Vol. 8, n.º 4, Winter, pp. 3-13.

Winner: Simpson and Kjar, Austrian.

**84. Adam Smith (Smith's ideology)**

Smith, Adam. [1776] 1979. *An Inquiry into the Nature and Causes of the Wealth of Nations*, Indianapolis, IN: Liberty Fund

Rothbard, Murray N. 1987. «Adam Smith Reconsidered.» *Austrian Economics Newsletter*. Auburn, AL: The Ludwig von Mises Institute, Fall, pp. 5-7. Reprinted in *Austrian Economics* (Vol. 1) by S. Littlechild. Brookfield, VT: Edward Elgar Publishing Company (1990), pp. 41-44.

Ahiakpor, James C.W. 1992. «Rashid on Adam Smith: In Need of Proof,» *The Journal of Libertarian Studies*, Vol. 10, n.º 2, Fall, pp. 171-180.

Rashid, Salim, 1992, «Adam Smith and Neo-Plagiarism: A Reply,» *The Journal of Libertarian Studies*, Vol. 10, n.º 2, Fall, pp. 181-190.

Rothbard, Murray N. 1995. «The celebrated Adam Smith.» in *Economic Thought Before Adam Smith: An Austrian Perspective on the History of Economic Thought* (Vol. I). Brookfield, VT: Edward Elgar Publishing Company, pp. 433-474.

Winner: Austrians.

### 85. Snippe (coordination)

Garrison, Roger. 1985a. «Intertemporal coordination and the invisible hand: an Austrian perspective on the Keynesian vision.» *History of Political Economy*, 17 (summer), pp. 309-21.

Snippe, J. 1987. «Intertemporal coordination and the economics of Keynes: comment on Garrison.» *History of Political Economy*, 19(2), pp. 329-334.

Garrison, Roger. 1987. «Full employment and intertemporal coordination: a rejoinder.» *History of Political Economy*, 19(2), pp. 335-41.

Winner: Garrison.

### 86. Sraffa

Hayek, F.A. 1931. *Prices and Production*. London: George Routledge and Sons

Sraffa, P. 1932a. «Dr. Hayek on Money and Capital.» *The Economic Journal*, Vol. 42, n.º 165 (March 1932), pp. 42-53.

Hayek, F. A. 1932. «Money and Capital: A Reply.» *The Economic Journal*, Vol. 42, n.º 166 (June 1932), pp. 237-49.

Sraffa, P. 1932b. «[Money and Capital]: A Rejoinder.» *The Economic Journal*, Vol. 42, n.º 166 (June 1932), pp. 249-251.

Winner: Sraffa, non-Austrian.

**87. Stigler (efficient government)**

DiLorenzo, Thomas J. 2002. «George Stigler and the Myth of Efficient Government.» *Journal of Libertarian Studies*, Vol. 16, n.º 4, Fall, pp. 55-73; [http://www.mises.org/journals/jls/16\\_4/16\\_4\\_4.pdf](http://www.mises.org/journals/jls/16_4/16_4_4.pdf).

Winner: DiLorenzo, Austrian.

**88. Stiglitz (development)**

Beaulier, Scott A. 2004. «Is Discourse Relevant for Economic Development?» *Independent Review* Vol. 8, n.º 3, Winter, pp. 343-361.

Winner: Beaulier, Austrian.

**89. Timberlake (monetarism)**

Timberlake, Jr., Richard H. 1987. «A Critique of Monetarist and Austrian Doctrines on the Utility and Value of Money,» *Review of Austrian Economics*, Vol. 1, pp. 81-96.

Rothbard, Murray N. 1988. «Timberlake on the Austrian Theory of Money: A Comment,» *Review of Austrian Economics*, Vol. 2, pp. 179-187; [http://www.mises.org/journals/rae/pdf/rae2\\_1\\_10.pdf](http://www.mises.org/journals/rae/pdf/rae2_1_10.pdf).

Timberlake, Jr., Richard H. 1988. «Reply to Comment by Murray N. Rothbard,» *Review of Austrian Economics*, Vol. 2, pp. 189-197.

Barnett, William II. 1989. «Comment on Professor Timberlake's Squared Rule for the Equilibrium Value for the Marginal Utility of Money,» *Review of Austrian Economics*, Vol. 3, pp. 151-157.

Timberlake, Jr., Richard H. 1989. «Marginal Utility Equilibrium between Money and Goods: A Reply to Professor Barnett's Criticism,» *Review of Austrian Economics*, Vol. 3, pp. 159-161.

Barnett, William II. Unpublished. «Rejoinder to Timberlake.»

Winner: Timberlake, non-Austrian.<sup>42</sup>

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<sup>42</sup> Barnett and Timberlake (1989) both appeared in the same year, so we need a tie breaker; the later volume would win, but, again, they tie in this regard too, both

### 90. Tullock (1, business cycle)

Tullock, Gordon. 1988. «Why the Austrians are Wrong About Depressions,» *Review of Austrian Economics*, Vol. 2, pp. 73-78.

Salerno, Joseph T. 1989. «Comment on Tullock's 'Why Austrians Are Wrong About Depressions,» *Review of Austrian Economics*, Vol. 3, pp. 141-145.

Tullock, Gordon. 1989. «Reply to Comment by Joseph Salerno.» *Review of Austrian Economics* 3: 147-149.

Barnett, William II and Walter Block. 2005. «Professor Tullock on Austrian Business Cycle Theory,» *Advances in Austrian Economics*, Vol. 8, pp. 431-443.

Tullock, Gordon. 2005. «Reply to Barnett and Block,» *Advances in Austrian Economics*. Vol. 8, pp. 445-450.

Winner: Tullock, non-Austrian.<sup>43</sup>

### 91. Tullock (2, property)

Block, Walter and Matthew Block. 1996. «Roads, Bridges, Sunlight and Private Property Rights,» *Journal des Economistes et des Etudes Humaines*, Vol. VII, n.º 2/3, June-September, pp. 351-362; [http://141.164.133.3/faculty/Block/Blockarticles/roads1\\_vol7.htm](http://141.164.133.3/faculty/Block/Blockarticles/roads1_vol7.htm).

Tullock, Gordon. 1996. «Comment on 'Roads, Bridges, Sunlight and Private Property', by Walter Block and Matthew Block,» *Journal des Economistes et des Etudes Humaines*, Vol. 7, n.º 4, December, pp. 589-592.

Block, Walter. 1998. «Roads, Bridges, Sunlight and Private Property: Reply to Gordon Tullock,» *Journal des Economistes et des*

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appearing not only in the same volume but in the same issue too; once more we need a tie breaker, and now we resort to page numbers. Timberlake comes later in the volume, so he wins.

<sup>43</sup> Once again we resort to pagination to determine truth in economics. We admit that this phenomenon is often solely in the hands of the editor, and thus may not be exactly the best indicator of truth; however, when you have a wild-eyed *reductio ad absurdum*, the best policy is to milk it for all it is worth. This applies to both Tullock vs. Salerno (1989), and to Tullock vs. Barnett and Block (forthcoming). In each case Tullock gets the last laugh; hence, we judge him correct and the others incorrect on business cycles.

*Etudes Humaines*, Vol. 8, n.º 2/3, June-September, pp. 315-326;  
[http://141.164.133.3/faculty/Block/Blockarticles/roads2\\_vol8.htm](http://141.164.133.3/faculty/Block/Blockarticles/roads2_vol8.htm).  
Winner: Block, Austrian.

#### 92. Wagner (business cycle)

Wagner, Richard E. 1999. «Austrian Cycle Theory: Saving the Wheat while Discarding the Chaff.» *Review of Austrian Economics* 12: 65-80; Wagner, Richard E. 2000. «Austrian Cycle Theory: Saving the Wheat while Discarding the Chaff,» Festschrift for James Buchanan; <<http://www.gmu.edu/jbc/fest/files/wagner.htm>>  
Block, Walter. 2001. «Yes, We Have No Chaff: A Reply to Wagner's Austrian Business Cycle Theory: Saving the Wheat While Discarding the Chaff,» *Quarterly Journal of Austrian Economics*, Vol. 4, n.º 1, Spring, pp. 63-73; [www.mises.org/journals/qjae/pdf/qjae4\\_1\\_4.pdf](http://www.mises.org/journals/qjae/pdf/qjae4_1_4.pdf).

Winner: Block, Austrian.

#### 93. Walker (interest rate)

Walker, Francis A. 1892. «Dr. Boehm-Bawerk's Theory of Interest.» *The Quarterly Journal of Economics*, Vol. 6, n.º 4. (Jul., 1892), pp. 399-416.

Böhm-Bawerk, E. 1895. «The Positive Theory of Capital and Its Critics: II» *The Quarterly Journal of Economics*, Vol. 9, n.º 3. (Apr., 1895), pp. 235-256.

Winner: Böhm-Bawerk.

#### 94. Yeager (1)<sup>44</sup> (vs. Block and Barnett on subjectivism)

Yeager, Leland. 1987. «Why Subjectivism?,» *Review of Austrian Economics*, Vol. 1, pp. 5-31.

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<sup>44</sup> Here, Yeager is the anti Austrian. In the Rosen debate, he was the Austrian. Strange economic bedfellows and all that.

Block, Walter. 1988. «Comment on Leland Yeager on Subjectivism,» *Review of Austrian Economics*, Vol. II, pp. 199-208; [http://www.mises.org/journals/rae/pdf/r2\\_12.pdf](http://www.mises.org/journals/rae/pdf/r2_12.pdf).

Yeager, Leland B. 1988. «Reply to Comment by Walter Block,» *Review of Austrian Economics*, Vol. 2, pp. 209-210.

Barnett, William II 1989. «Subjective Cost Revisited.» *Review of Austrian Economics*. 3: 137- 138. [http://www.mises.org/journals/rae/pdf/rae3\\_1\\_9.pdf](http://www.mises.org/journals/rae/pdf/rae3_1_9.pdf).

Yeager, Leland B. 1989. «Reply to Comment by William Barnett II,» *Review of Austrian Economics*, Vol. 3, pp. 139-140.

Winner: Yeager, non Austrian.

#### 95. Yeager (2, vs. Rizzo and O'Driscoll on subjectivism)

Rizzo, and O'Driscoll on subjectivism tba.

Winner: Yeager.

#### 96. Yeager (3, vs. Salerno on calculation)

Yeager, Leland B. 1994. «Mises and Hayek on Calculation and Knowledge,» *Review of Austrian Economics*, Vol. 7, n.º 2, pp. 93-109.

Salerno, Joseph T. 1994. «Reply to Leland Yeager,» *Review of Austrian Economics*, Vol. 7, n.º 2, pp. 111-125.

Yeager, Leland B. 1995. «Rejoinder: Salerno on Calculation, Knowledge, and Appraisalment,» *Review of Austrian Economics*, Vol. 9, n.º 1, pp. 137-141.

Salerno, Joseph. 1995. «A Final Word: Calculation, Knowledge and Appraisalment,» *Review of Austrian Economics*, Vol. 9, n.º 1, pp. 141-142.

Yeager, Leland B. 1997. «Calculation and Knowledge: Let's Write 'Finis,»' *Review of Austrian Economics*, Vol. 10, n.º 1, pp. 133-136.

Winner: Yeager, non Austrian.



**95. Yeager (4, money)**

Yeager, Leland B. 1986. «The Significance of Monetary Disequilibrium.» *Cato Journal*. 6(2), Fall: 369-399.

Yeager, Leland B. 1997. «Austrian Themes in a Reconstructed Macroeconomics.» In William Keizer, Bert Tieben and Rudy van Zijp, eds., *Austrian Economics in Debate*. London and New York: Routledge.

Cochran, John P., Call, Steven T., and Glahe, Fred R. 1999. «Credit Creation or Financial Intermediation? Fractional Reserve Banking in a Growing Economy.» *The Quarterly Journal of Austrian Economics*, vol. 2, n.º 3, 53-64. Published January 2000.

Cochran, John P., Call, Steven T. and Glahe, Fred R. 1999. «Research Note: Injection Effects and Intermediation: Yeager and the Austrians.» *International Advances in Economic Research*, vol. 5, n.º 3, 395.

Winner: Cochran, Call and Glahe, Austrians.

So, who won? According to our calculations, the Austrians won 68 out of the 97 debates, while the non Austrians were victorious in 29 of them. The Austrians prevailed in these cases: 1, 2, 3, 4, 5, 7, 8, 9, 11, 12, 13, 14, 16, 18, 19, 20, 21, 23, 24, 30, 31, 32, 33, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 46, 48, 54, 55, 56, 57, 61, 62, 63, 64, 65, 66, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 83, 84, 85, 87, 88, 91, 92, 93, 97. The non Austrians were winner in these: 6, 10, 15, 17, 22, 25, 26, 27, 28, 29, 34, 45, 47, 49, 50, 51, 52, 53, 58, 59, 60, 67, 82, 86, 89, 90, 94, 95, 96. Were we to put this in percentage terms, dividing 68 by 29 shows that Austrians are better than non Austrians at arriving at the truth in economics by 134%.

How do some of the more notable neoclassical economists fare against the Austrians? Milton Friedman loses two out of two times, as does Harold Demsetz. Ronald Coase splits his two debates, as does Gordon Tullock. George Stigler loses his only debate but Leland Yeager wins three out of four of his altercations.

### III. ANNOTATED DEBATES

In this section we present a selected number of debates for annotation.

#### 1. Becker – Kirzner

The debate that took place between Gary Becker and Israel Kirzner in the *Journal of Political Economy* originated following an article that Becker published in 1962 entitled «Irrational Behavior and Economic Theory.»<sup>45</sup> In this article, Becker argues that assumptions about the rationality of market participants are not required to be able to establish the «important theorems of modern economics.» According to Becker (1962, p. 12), this is because even «irrational units would often be ‘forced’ by a change in opportunities to respond rationally.» In other words, arguing about the rationality of market participants is not important because, in the long run, market forces will compel individuals to behave *as if* they were rational.

In the fourth issue of the same volume of the *Journal of Political Economy*, Kirzner offers a critical discussion of Becker’s own analysis. In his note, Kirzner does not so much attempt to rebut Becker’s model but rather contests its significance (Lagueux, 1993, p. 38). As Kirzner (1962, p. 380) explains, «even in the kind of case considered by Becker [that is, in a case where the market ‘is made up of irrational households and firms’], the important theorems of economics (understanding by this the theorems explaining market prices) cannot be extracted without first introducing some assumptions of rationality in an essential way.» The problem in Becker’s model, says Kirzner (1962, pp. 381-82),

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<sup>45</sup> It is interesting to note that it is this debate the only debate that Becker ever got involved in. According to Becker, the opportunity cost in terms of productive research of debating is too high for him. Therefore, it is his policy not to debate anybody. Becker is not the only one to advance such argument to avoid debating. This applies to Nozick as well (see comments under «derailment» supra).

is that markets will reach equilibrium (prices) only if market participants revise their original plans «as a consequence of the disappointments of earlier plans,» that is to say, only if those market participants are rational. If as Becker assumes, those participants are «afflicted with chronic inertia» or are making «bids in a purely random manner», there is no reason to think that markets will ever clear. Therefore, Kirzner states, «as a general attempt to demonstrate the dispensability of the rationality assumption, therefore, Becker's cannot be judged a success.»

Becker (1963, pp. 82-83) replies to Kirzner in the following volume and offers to show that «Kirzner's principal argument is that a single market would not be stable if price-setters were irrational» is invalid. Becker assumes that suppliers in a market «use irrational decision rules in setting prices, and that the demand curves for the outputs of any groups of suppliers are either negatively inclined or infinitely elastic» (Becker, here, argues that he already had demonstrated why market demand curves tend to be sloping downward even when demanders are irrational.) Becker then shows that, when the market price is above the equilibrium price, the group of firms that cannot sell anything at the higher prices will be forced to sell at lower prices «*even if irrational decision rules were used.*» Also Becker (p. 83) reiterates that he does not «pretend to have demonstrated that the equilibrium price *must* be stable in markets dominated by irrational participants.» His «aim is simply to indicate that not only that Kirzner offered no proof that irrational markets are unstable but also that there are powerful stabilizing forces even in such markets.» The last sentence in Becker's reply to Kirzner seems to express some irritation when he concludes: «Praxeologists and others concerned with determining the extent of individual rationality might well devote more time in the future to formulating and conducting relevant tests.»

In his rejoinder, Kirzner gets *the last word*. Kirzner (1963, p. 85) repeats his previous criticism: «When, on the other hand, one follows Becker into a world of impulsive or habit-following price-setters, a world in which knowledge and ignorance do not affect decisions, one searches in vain for any reason why today's decisions need be systematically difference from those

of yesterday.»<sup>46</sup> According to Kirzner (1963, p. 85), it is because «in his 'Reply' Becker has unwittingly permitted a small dose of wholesome rationality to enter his example.»

Winner: Kirzner.

## 2. Burczak vs. Butos/Koppl

The debate between Butos and Koppl, on the one hand, and Burczak, on the other, is a continuation of that which took place between Paul Davidson and the Austrians following Davidson's very critical review of O'Driscoll and Rizzo's *The Economics of Time and Ignorance* (1985).<sup>47</sup> In the more general dispute that opposes Austrians to Post-Keynesians on the question of whether an unregulated market economy will generally coordinate economic activity through time, Burczak (2001, p. 59) argues that the key issue is «the degree to which expectations formulated against the backdrop of an uncertain future will lead individuals to act in a manner consistent with macroeconomic coherence.» Burczak's 2001 publication is a response to Butos and Koppl's 1993 and 1997 papers where they study the different views that Hayek and Keynes have on the nature of expectations to explain the possibility of intertemporal coordination in a market economy.

Butos and Koppl (1997) argue that Keynes was a Cartesian rationalist in his theory of expectations and because it is impossible that the future is «unknowable,» Keynes believed that «long-term expectations do not and cannot bear any systematic relationship to underlying economic reality.» For Keynes, Butos and Koppl maintain, «expectations are a belief state and cannot be formulated by 'rational action.'» Therefore, intertemporal coordination is unlikely. On the other hand, for Hayek, Butos and Koppl (1997, p. 355) argue, «expectations are embodied in

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<sup>46</sup> As Kirzner states in a footnote, the important point that Becker seems to have missed is that «the constraints operating today on the impulsive or habit-following decision-makers are precisely the same as those which were operative yesterday.»

<sup>47</sup> See Davidson (1989), Prytchiko, Runde, Torr, Boehm, and Farmer (1993), and Davidson (1993). Why doesn't this appear, also, in section II? Tba.

habits, norms and traditions. Expectations, in other words, are embodied in the rules governing action. These rules are a product of social and, as in the case of sensory order, even biological evolution. In this evolutionary view there is no reason to see in the uncertainty of the future a special cause for discoordination of actions. Expectations, on the contrary, have a tendency to coherence and coordination.» More importantly, «the orderliness of market processes depends on the institutional context within which individuals function.» And, Butos and Koppl conclude, that the institutional context will shape individuals' expectations and plans «generating various degrees of coordination.»

In his 2001 answer to Butos and Koppl, Burczak challenges the view that Keynes was a rationalist. For Burczak (2001a, pp. 68-9), the proof of his assertion is to be found in Keynes' «my early beliefs» of 1938. Moreover, Burczak argues, «What ultimately separates a Keynesian theory of expectations from a Hayekian theory of expectations is not the supposed Cartesian rationalism of the later Keynes, as Butos & Koppl allege, but the prominence Keynes gave to the creative powers of the human mind in his theory of expectations relative to the attenuated role of creativity in Hayek's understanding.» According to Burczak (p. 76), «the most important contribution of Keynes is that the economic environment is not ergodic or necessarily dominated by typical features. For Keynes, this fact always threatens to undermine confidence in the conventional expectation of order and stability in economic affairs, a conclusion that many Austrians seem to resist.»

Butos and Koppl (2001) challenge Burczak's interpretation of Keynes's 1938 essay and «introduce the concept of 'horizon principle' to criticize Keynes's dichotomy between short-term and long-term expectations.» According to Butos and Koppl (p. 82), the quote that Burczak uses to justify his position actually can be interpreted in a very different way. While Keynes seems implicitly to reject rationalism by acknowledging he tended to neglect tradition, the language used by Keynes sounds «constructivist.» Consequently, Butos and Koppl (p. 82) maintain, Keynes never really gave up rationalism, instead «he adopted a more skeptical and worldly-wise form of rationalism.» The problem with Keynes's approach is that he does not explain

«why the state of confidence is what it is and what might change it» (p. 86). It is not enough to cast doubt on the ability of individuals to coordinate their activities through the market process because their state of confidence is fragile, one must explain *why* it is fragile. The authors (p. 86) conclude: «We should not ask simply *if* conventions are fragile; rather we should ask what makes them more or less fragile.»

Burczak (2001b) gets the last word in the debate. His main argument is that Butos and Koppl's criticism of Keynes's and Post-Keynesian's exogenous treatment of expectations is misplaced. First, he contends that ultimately it does not really matter «whether or not we accept the findings of those authors [Butos and Koppl] who see evidence in Keynes of a rejection of Cartesian epistemology» (p. 88). Second, he finds it «curious for Austrians to indict Keynes for positing expectations as exogenous when leading Austrians do the same» (idem). Third, he disagrees with «the nature of evolutionary processes» that, Butos and Koppl argue, «can engender stability in the conventions governing the state of confidence.» Fourth, Burczak asserts that «the image of adaptation that informs Butos and Koppl's evolutionary epistemology has also been contested in the natural and social scientific literature on evolution.» Finally, Burczak criticizes the idea apparently endorsed by Austrians that «*only* government intervention can disrupt entrepreneurial confidence.» In conclusion, Burczak contends that «all subjectivists, including Hayekian evolutionists, should recognize the potential for an endogenously generated collapse in confidence in an unhampered market economy» (p. 89).

Winner: Burczak.

### 3. Caplan vs. Block and Hülsmann

The debate between Caplan, Block, and Hülsmann is somewhat remarkable in that it originated in the *Southern Economic Journal* but, as Block (2003, note 2) notes, Block's (1999) and Hülsmann's (1999) answers to Caplan's paper were rejected by the same journal; therefore, the remaining of the debate was published in the *Quarterly Journal of Austrian Economics*.

Caplan (1999) argues that the effort developed by Mises, Rothbard, and, to a lesser extent, Kirzner to develop an alternative, more realistic, approach to economics is a failure. Moreover, Caplan argues that Austrian critiques of neoclassical economics and some of its fundamental assumptions are by and large erroneous.

Hülsmann (1999) and Block (1999), while acknowledging Caplan's familiarity with Austrian literature, reply that Caplan failed to show that neoclassical economics is more realistic than Austrian economics. Hülsmann gives a point-by-point reply to Caplan. He (p. 4) shows that «Caplan fails to identify the important differences between Austrian and neoclassical economics.» Moreover, he asserts that Caplan's misunderstandings are to found «in his failure to grasp that Austrian economics is a theory of action (praxeology) rather than some kind of applied psychology.» Hülsmann (p. 17) concludes that an analysis of neoclassical assumptions «reveals that they are either not realistic ... or not applicable in economic analyses of the real world.» Block also provides his own point-by-point reply to Caplan and divides his reply in the same four sections as those used by Caplan: an introduction, consumer theory, welfare economics, and a conclusion.

The third round comes in 2001 when Caplan replies to Hülsmann and Block in the *Quarterly Journal of Austrian Economics* in which he (p. 69) «spell(s) out the philosophical side of his original thesis in greater depth.» In his reply, Caplan addresses the use of probability theory in economics, the philosophical differences in their approach of the relation between common sense and science, and the other specific topics previously addressed by Hülsmann and Block: indifference, cardinality, continuity, income and substitution effects, and demonstrated preference and welfare economics. Caplan (p. 84) concludes his reply to Hülsmann and Block by stating that «there are two paths for Austrian economics to evolve along. The first is obscurantist philosophizing about preferences, probability, uncertainty, and welfare economics. The second is to reinvent itself as a species of neoclassical economics infused by the spirit of the Austrian approach.»

Block (2003) alone enters the fourth round in 2003 in a reply to Caplan (2001) on the sole topic of using probability theory in economics. Block, before beginning his «entirely critical reply,»

reiterates his praise of Caplan's knowledge of both Austrian economics and neoclassical economics. Most of Block's reply seems largely to be developing on epistemological grounds and a discussion of the synthetic *a priori*.

Caplan (2003) discusses once again probability and synthetic *a priori*. Caplan (p. 77) first argues that «Block incorrectly classifies him as a logical positivist.» Second, Caplan (pp. 78-9) shows that if synthetic *a priori* claims vary in probability as can empirical claims, there is no reason to consider empirical claims unscientific. Third, Caplan argues (pp. 80-1) that Block's examples of the synthetic *a priori* «are poorly chosen» and, contrary to what his critics seem to believe, he «admits that synthetic *a priori* knowledge exists.» His main objection is on «what qualifies as synthetic *a priori*.» Caplan (p. 83) concludes that «contrary to Block, the synthetic *a priori* has little to do with» the debate. His main disagreement with Austrians is not on the methodology but rather on the fact that for Austrians, the «most distinctive positions are false or overstated.» According to Caplan, Block along most Austrians is «better at criticizing neoclassical economics than at producing a sound alternative.»

After this round, Caplan was subjected to an Austrian «pile-on» from Block, (2005), Hoppe 2005, Block (2006, forthcoming), and Barnett (2006, forthcoming) who have criticized the initiator of this debate in terms of epistemology, logic, methodology and economics. Caplan has so far not replied.

Winner: Austrians.

#### 4. Block/Egger vs. Demsetz

The debate that took place between Harold Demsetz and Walter Block (in which John Egger participated) covers a span of over 20 years and originated in Block's response to Ronald Coase (1960) and Harold Demsetz's (1967) works on externalities, transaction costs, and property rights. Before briefly summarizing this debate, it should be important to note that after Block's (1995) second response<sup>48</sup> to Coase and Demsetz, Demsetz (1997,

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<sup>48</sup> Demsetz qualifies Block's second paper as an «outburst» (Demsetz 1997, p. 101).



p. 101) clearly states that he will «refuse to join in any future similar exercise in futility.» According to Demsetz, he has learned «nothing from reading his [Block] part of the debate, and apparently he [Block] learns nothing from reading my [Demsetz] part.» Demsetz (1997, p. 102) adds «Block's rumination on morals merits no response from me.»

The central point that Block (1995, p. 71) argues against Coase and Demsetz is that «property rights determinations are relevant to resource allocation.» When we take into account psychic income, it *does* matter to whom property rights are allocated. Coase and Demsetz contend that whether «property rights are *irrelevant* depends upon the loser being able to bribe the winner of the lawsuit; if he is unable to do so, the entire scenario does not arise» (Block 1995, p. 71). Block (1977, 1995, and 2000) provides a large variety of examples to show why Coase and Demsetz are wrong in assuming that property rights are irrelevant. Demsetz (1979, 1997) in each of his responses argues that Block is incorrect and violates the «no income effect» assumption that he and Coase adopt in their analysis. In addition, while Demsetz refuses to engage in the debate on the normative aspects, he (1997, p. 103) does argue, contrary to Block (1977) that he is as opposed to the military draft as Block is. Block focuses on the question of whether property rights are irrelevant while Demsetz thinks the debate should focus on attempting to answer Pigou. Because, as Demsetz (1997, pp. 104-5) argues, Coase's disagreement with Pigou concerns Pigou's efficiency conclusions in regard to externalities. Coase's analysis is about the «efficiency of resource allocation, not the specific allocation of resources.» As Demsetz emphasizes, «[P]erhaps more important, the misallocation in resources that Pigou (and the profession) saw as a consequence of externalities *has nothing to do with changes consumption expenditures resulting from altered incomes.*» For Demsetz, Block's attacks are misplaced.

Egger (1979) following Demsetz's response to Block (1977) also entered the debate commenting on Demsetz (1979). Egger's (1979, p. 122, 124s) main argument was that Demsetz's proposal that we substitute «economy efficiency of the actions and resource allocation promoted by different types of property rights» to «the simplistic *faith*» approach to comparison of the ethics of

different property rights systems «gets us to nowhere» and is «at best unconvincing.» The problem, Egger (1979, p. 122) argues, is that «without an exogenous standard by which to judge either rights or efficiency, we find that all actions taken within any particular rights system are efficient but there is no reason or standard by which to prefer one 'efficient action/rights structure' combination over another.»

Block (2000) gets the last word. He answers each criticism advanced by Demsetz. More particularly, Block (2000, p. 70) rejects that Demsetz's contention that Block's examples ignore the «no income effect» assumption by «renaming income effects as psychic effects.» Block (2000, p. 72) concludes by putting his argument in a broader context.

Winner: Block.

## 5. Schuller vs. Rothbard

The debate between Rothbard and Schuller originates from Schuller's (1950) review of Mises's *Human Action* (1949). Rothbard's comment on Schuller's review addressed various criticisms that Schuller made of *Human Action*.

Schuller sees eight important shortcomings in Mises's book. First, he (1950, p. 419) argues that Mises does not provide any «clear test of incorrect versus 'correct praxeological reasoning.'» Second, he (p. 420) thinks that Mises is an «uncompromising» dogmatic lacking modesty. Third, Schuller believes that Mises «frequently neglects to distinguish his praxeological from his historical observations and often applies his dogmatism to what seems to be the latter as well as to the former.» Fourth, «Mises creates a dualism between *a priori* Praxeology and *a posteriori* history which he is unable to bridge.» Fifth, Schuller finds illustrations of «the arbitrariness of Mises' catallactic principles in application to historical reality.» Sixth, Schuller (p. 421) argues that removing «the apparent contradiction between economic rationality and political irrationality ... requires calculability.» Seventh, the reviewer contends that «the choice which Mises gives us is as foreign to rational human action (...) as that offered

by the extreme Marxist.» Moreover, Schuller adds «unfortunately, the choices given us in the historical world are somewhat more complex than that between perfection and impossibility.» Finally, Schuller (pp. 421-22) concludes, «the opposition which Mises finds ... between intervention and economic law is as spurious as that between airplanes and gravitation.»

Rothbard provides a point-by-point comment on Schuller's review of Mises' *Human Action*. First, Rothbard (1951, p. 181) replies that «the tests are, on the contrary, clear enough. Praxeology consists of two main elements: (1) the fundamental axioms, and (2) the propositions successively deduced from these axioms. Neither the axioms nor the deduced propositions can be 'tested' or verified by appeal to historical fact. However although the axioms are *a priori* to history, they are *a posteriori* to the universal observations of the logical structure of the human mind and human action.» Moreover, Rothbard (*idem*) adds, «the deductive propositions are tested according to the universally accepted laws of logic.» Second, Rothbard wonders why «an economist who is convinced of the truth of economics should be accused of 'uncompromising dogmatism'. Third, Rothbard (p. 182) does not think that there is conflict between an historical and a praxeological statement when Mises says that the gold standard is an historical fact and that this standard was responsible for increasing welfare, liberty, etc.» Fourth, he contends that Schuller's contention that «Mises fails 'to bridge' the dualism between *a priori* praxeology and *a posteriori* history» is a «dual one.» Moreover, Rothbard (*idem*) labels Schuller's insistence that «in order to forget this bridge, Mises would have to furnish 'positive theorems covering all types of historical situations' and 'instructions for determining when the conditions of a particular situation coincide with those assumed by a particular theorem' ... absurd» and impossible to «be fulfilled by any theorist.» Fifth, Rothbard (pp. 183-84) argues that Schuller's provision of instances of Mises's «arbitrary applications of catallactic principles to historical reality» are, «in most cases, ... not applications, but the principles themselves.» Sixth, Rothbard (p. 184) maintains that Schuller's reading of Mises as stating that *all* intelligent choice of means requires calculability is «absurd.» Seventh, Rothbard (*idem*) explains that

«when Mises presents us with the choice between the free market and socialism, he is saying that in-between systems of a hampered market are not coherent, consistent systems.» Finally, Rothbard contends that «since Mises demonstrates that every form of government intervention in the market creates consequences that lead to an economy worse than that of the free market, Schuller cannot distinguish between rational and irrational forms of government intervention, or designate market intervention as a ‘technology.’»

In his rejoinder, Schuller (1951, p. 185) attempts a point-by-point refutation of Rothbard’s comment adding that he hopes «Mr. Rothbard’s thorough analysis meets with Professor Mises’ approval, particularly in matters of interpretation.»

In «Praxeology: Reply to Mr. Schuller,» Rothbard (1951b, p. 943) begins his reply by contending that he prefers to clarify the importance of the nature of praxeology and its applicability to historical events rather than prolonging his «discussion with Mr. Schuller’s unnecessarily by engaging further in a point-by-point refutation.» After finishing his discussion, Rothbard concludes that he hopes as Mr. Schuller does that his interpretation of *Human Action* has the Mises’s approval, «there is no warrant for any assumption to that effect.»

Winner: Rothbard.

## 6. Stigler vs. Rothbard

In 1959, George Stigler wrote «The Politics of Political Economists» in which he (p. 522) demonstrated why «the professional study of economics makes one politically conservative.» He (p. 529) mentions his disagreement with Mises’s argument that «it is economic statistics, or more generally quantitative economics, which generates a radical political viewpoint.»

Rothbard (1960) answers Stigler’s «interesting discussion» arguing that «it is important to note that Stigler overlooked several fundamental considerations.» Rothbard disagrees with Stigler on the effect of statistical economics (and economic statistics) on policy views of statistics. Rothbard (p. 659) argues

that «in a free market economy, the individual, the individual business firm has little or no need of statistics .... The 'automatic' market, then, requires virtually no gathering of statistics.» To which, Stigler (1960, p. 670) answers «this is surely a vast oversimplification: the competitive firm needs information on present and prospective market conditions» to make a large variety of corporate decisions. Actually, Stigler (p. 671) adds, it might be possible that «Rothbard is thinking of the stationary state.»

Second, Rothbard (pp. 659-60) argues that «the enormous expansion of governmental activity in the gathering and disseminating of statistics ... is surely more than coincidentally related to the similar expansion of the role of government in regulation and manipulating the economy.» Stigler (p. 671) does not fundamentally disagree with Rothbard's position but emphasizes that Rothbard's argument «does not involve the professional economist and does not concern [his] position.» In addition, Stigler observes: «data cut in every direction: have not the data on increasing equality of distribution of income perhaps reduced the fervor for redistributive policies? Have not the national income accounts dispelled the notion that 'Wall Street' allots a modicum to the working classes?»

Third, Rothbard (p. 664) argues that economists who are the most critical of private enterprise were often opposed to theory. Stigler (p. 671) answers that it is true that «many anti-theoretical economists have been devotees of what may be termed 'ad hoc' (sic) in public policy.» However, Stigler concludes, «Rothbard's tacit identification of statistical analysis, and perhaps more generally empirical analysis, with opposition to theory was never apt and is now surely wholly obsolete: the best (and most influential) statistical work is being done by excellent theorists, and only my tenacious desire to avoid controversy keeps me from seeking an inversion of the sentence.»

Stigler gets the last word as Rothbard never attempted to rejoin Stigler.

Winner: Stigler.

## 7. The Socialist Calculation Debate

The Socialist Calculation Debate is the longest one in which Austrians were engaged. It covers a period of about sixty years.<sup>49</sup> This debate is probably the most famous in which the Austrians were involved along with the *Methodenstreit* (or Quarrel over Methods) which involved Carl Menger and Gustav von Schmoller. Countless articles, books, reviews, comments have been written on the debate itself. In addition, the Socialist Calculation Debate involved as many as ten economists. However, it seems fair to say that the most important protagonists of this debate were Ludwig von Mises (1920, 1922), Friedrich Hayek (1945), and socialist economist, Oskar Lange (1936, 1937).

The debate<sup>50</sup> started when Mises in 1920 and 1922 showed the impossibility for a socialist economy to be rationally efficient. He demonstrated that, under a system of public ownership of the means of production, the central planners did not possess a mechanism allowing them to perform economic calculation of profits and losses. Thus, it was impossible for central planners to allocate the means of production to their most valued use. Without private ownership of means of production, no exchange would take place and, therefore, no prices could arise. Without a price system, the economy was bound to collapse.

Socialist economists attempted to answer to Mises's criticisms of collectivist economies and socialist 'economics.' Among them, Oskar Lange (1936, 1937) suggested that socialist economies could attempt to mimic, through a process of trial and error, the functioning of capitalist, market economies in order to «find» equilibrium prices.

Hayek (1935A, 1945) answered Lange that it was not only from a practical viewpoint impossible for the Central Planning board to define all the products that are bought and sold even in capital goods markets but, more importantly, such prices were *fiat* prices and did not reflect the implicit, inarticulate, specialized knowledge

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<sup>49</sup> One might question whether this debate is over.

<sup>50</sup> This summary does not pretend to be able to accurately incorporate all the important arguments that took place between the Austrians and the Socialist economists or be a substitute for the many articles and books written on the subject.

of particular «time and place» impossible to collect by the Central Planning Board. In other words, according to Hayek, it is impossible for the Central Planning Board to substitute for the talent of experienced entrepreneurs.

Winner: Mises & Hayek.

### 8. Wagner –Block

Wagner (1999) explains why Austrian Business Cycle theory (ABCT) is incoherent, a case that had been made by Yeager (1986), Cowen (1997), Tullock (1987, 1989.) Wagner argues that while ABCT had peaked in the mid-1930s, it has been in decline since then as it failed to adapt to recent intellectual and institutional developments in economic science. Therefore, the coherence that it had achieved, exhibited by the Keynes-Hayek debates (also discussed in the present paper), appears relatively incoherent by the standards of macroeconomic science in the modern day. Indeed, contemporary expositions of ABC theory are simply restatements of the Mises-Hayek positions of the 1930s. Wagner proceeds to separate from the body of Austrian theory the «wheat from the chaff» —by identifying Austrian ideas that no longer apply and are outdated by modern standards.

Some of this «chaff» includes the idea that economic actors are not able to distinguish between savings-induced and credit-induced phenomena in the economy. Wagner argues that this idea is outdated given improvements in economic knowledge of expectations and information delivery since the 1930s.

Block (2001) notes that ABC theory is not as well known among economic actors as Wagner assumes and that information is not as perfect as Wagner assumes—otherwise the business cycle and the stock market would not exhibit such great fluctuations. Besides, credit-induced growth is based on the idea that entrepreneurs can be bribed into making malinvestment, which, if true, presupposes a lack of understanding of ABC theory. This is, as Block states (p. 66) «a very crucial point [that is] completely ignored by Wagner.»

Winner: Block.

### 9. Timberlake – Rothbard –Barnett

Timberlake (1987) considers Austrian and monetary theories concerning the utility and value of money, with the aim of identifying compatibility and differences. He first identifies a contradiction in Mises' statements about money, saying that the latter argues that (i) money has utility based on its purchasing power for real goods and services, and (ii) money has no utility on its own (besides subjective value). Dealing with this problem results in the «Austrian circle» —a term coined by Rothbard (1976) to describe the problem of establishing diminishing marginal utility of money in terms of money. Mises' efforts to deal with this problem, says Timberlake, simply restate the theory that money emerges from actual commodities. Actually, money has value as does a piano—it has utility because it is ready to be used (or played) even when it is silent.

Timberlake argues that Mises' ambivalence regarding the utility of money reflects monetarist theory going back to Irving Fisher. While Austrians and monetarists also disagree on the value of price indices, the practicality of the quantity theory of money (Mises considered Fisher's equations too mechanistic), and the efficacy of mathematics as an analytical tool, they agree on the impossibility of measuring subjective utilities, how changes in the money supply (even if derived from changes in the supply of gold) affect relative prices and benefit those who receive the new money first. The discussion about the actual characteristics of money was eventually overshadowed by the publication of Keynes' General Theory, which largely ignored the role of money in the economy. Finally, Timberlake closes with an appendix deriving the equilibrium value for the marginal utility of money, working from the familiar marginal utility-to-price ratios for money and for goods.

Rothbard (1988), while generally appreciative of Timberlake's «interesting and commendable» (p. 179) article, strenuously objects to most of Timberlake's interpretations of Austrian and monetary ideas, leading to the conclusion that, in fact, «there is no common ground at all [between the two schools of thought], except for the simple proposition that 'money matters,' i.e., that the supply of money is an important determinant of prices.» (p. 185).



Rothbard argues that there is no contradiction in Mises' position on money because money indeed has no value beyond serving as a medium of exchange. So, it has value when used for exchange or when being held for eventual use of exchange. Rothbard restates Mises «path breaking» (p. 181) regression theorem, noting that it solves the «Austrian circle» when one realizes the temporal dimension of the circle. When the temporality is included in the analysis, the utility of money is reduced back to an available stock of goods.

Rothbard addresses the use of price indices, saying that the typical consumer that is the focus of such indices does not exist in real life, which is a problem for the construction of any average. Also, the agreement between Mises and Fisher on the effect of changes in the money supply (and therefore real prices) applied only in the short run. Monetarists, however, believe in the neutrality of money in the long run—a belief which is essential to the justification of much monetary policies. Finally, Rothbard ends by noting that methodology matters, so that when the deductive method, preferred by Austrians, is correct when the assumptions employed are correct according to the rules of logic, the use of false assumptions in positivist methodology weakens its application. This, he points out, is exactly what Timberlake does in his appendix, when he assigns cardinal measures to subjective utility in order to prove the equilibrium value for the marginal utility of money.

Timberlake (1988) addresses Rothbard's contention that money has no value beyond a medium of exchange. Timberlake argues that while this is not a new idea—he cites Mill's *Principles*—it is not relevant to his actual point about money's real value, which lies in its total purchasing power. If the money supply is fixed while output in the economy increases, the corresponding fall in prices is a sort of signiorage that goes to holders of money. Even if the money supply is inflated, resulting in an increase in prices, the result is superior to what would have happened under barter.

This analysis explains the shortcomings of Rothbard's conclusion that the regression theorem is necessary for real money. In fact, if it can be used to explain the value of real money, then it should be used to do so for the value of any real good.

(Timberlake provides examples of why this cannot be the case.) Indeed, the argument that nominal money—money produced beyond what the market demands as a medium of exchange—has value itself solves the Austrian circle.

Timberlake employs a similar argument to deal with Rothbard's criticism of price indices, arguing that if price averages were misleading, then other averages, such as grade point averages, batting averages, stock market values, and weather reports, would also be misleading. To deny that standard price indices cannot provide «a determinant measure of the value of [money] is vain perfectionism» (p.192). Finally, in response to Rothbard's points about methodology—which Timberlake calls «holier-than-thou» and «defeatist» (p. 192)—Timberlake criticizes Rothbard for dismissing the monetarists on methodological grounds when they would otherwise be strong allies in an intellectual fight against collectivism. In an appendix, Timberlake presents a corrected version of his derivation of the equilibrium value for the marginal utility of money.

It is this derivation that provokes a response from Barnett (1989). After restating Timberlake's mathematical argument, Barnett argues that his use of a reciprocal for composite prices in his amended appendix leads to the square of composite prices in his final formulation. Barnett argues that consistency requires that the price of money must be dimensionless. Also, he points out that Timberlake's approach assumes that the composite good in such formulations must be infinitely divisible (so as to enable the application of differential calculus and econometric analysis). This clearly is unrealistic, but its acceptance is crucial «to make economic analysis mathematically tractable and to make economic data grist for the mill of statistical (i.e., econometric) analysis.» (p. 157).

Timberlake (1989) responds to Barnett by arguing that the difference in analysis between them is due to Timberlake's assumption that money is a real good, while Barnett assumes it to be a nominal good. Timberlake justifies his inclusion of real money in the model (which Barnett calls improper) because this makes his analysis more realistic in contrast to the general approach of neoclassical analysis.

Winner: Timberlake.

## 10. Tullock – Salerno

Tullock (1988) presents an argument against the Austrian explanation of the business cycle based on a 1969 pamphlet written by Murray Rothbard.<sup>51</sup> He begins with three small criticisms of Rothbard's argument (Tullock calls them «nits».) First, he argues that Rothbard ignores the fact that inflation can exist and be maintained in the long run. Second, he maintains that Rothbard does not understand that investors will eventually learn to adjust their activities to policy-induced changes in the business cycle. And third, he points out that, from a technical perspective, the business cycle follows a random walk, not a detectable cycle. But Tullock's more serious objection to the theory is that Rothbard's theory of the business cycle would actually result in «minor transitional unemployment» (1988, p. 74) because much malinvested capital would eventually be used with hired labor.

Salerno (1989) first points out that Tullock's reliance on a pamphlet for his understanding of ABC theory is weak. There are, after all, more scholarly venues that address many issues that would not appear in writing meant for non-economists. He addresses Tullock's «nits» as well. To the first and second, Salerno argues that Tullock's position reflects his lack of familiarity with extensive scholarly literature that both recognize that inflation can exist in the long run and that credit-induced business cycles do indeed result in malinvestments. To the third, he points out that Austrians have never defined the business cycle «as a mechanistic or statistical regularity... but as a recurring qualitative sequence of abstract economic phenomena that can only be detected ... by the application of theory.» As for Tullock's more serious objection to ABC theory, Salerno notes that Tullock appears to ignore the role of intertemporal complementarity in the structure of production, and the Austrian understanding of malinvestment.

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<sup>51</sup> The pamphlet, entitled «Economic Depressions: Causes and Cures», was published by Constitutional Alliance for non-scholarly consumption. Tullock would not know the date of publication because the pamphlet was published without a date.

Tullock (1989) replies to Salerno by stating that while they agree on the basics, they disagree on whether the extra capital generated by interest rate policy results in unemployment or a *shortage* of labor and higher wages. While acknowledging that there existed high levels of unemployment during the Depression (and the 1980-82 recession), the severity had causes beyond interest rate policy. Tullock also pleads ignorance of the Austrian definition of the business cycle, and suggests that the misunderstanding could be made clearer if the Austrians would advance a more precise definition of economic depression. In answering Salerno's criticism of his understanding of malinvestment, Tullock argues that the Austrian position that a credit-induced boom biases investment in capital goods that have longer stages of production is not relevant, because such investment would not necessarily replace investment in capital goods with shorter stages of production. Quoting the phrase «[a] rising tide lifts all boats,» Tullock argues that both types of investment would take place. Finally, he accuses the Austrians of seeing a «moral tale» in the boom and bust cycle, in which the «wickedness of inflation carries a punishment» (p. 149), when depressions can have many causes.

Winner: Tullock.

## 11. Keynes – Hayek

This debate, which took place during the severest days of the Great Depression, is a large one, with most of the copy provided by Hayek; it would result in a fairly large text if it were reprinted in book form.<sup>52</sup> It began as a review by Hayek (1931, 1932) of Keynes' *Treatise on Money* (1930). Hayek's very respectful critique claimed that Keynes' book was simply an application of Cambridge School-ideas to monetary theory while raising the question as to

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<sup>52</sup> This debate also contrasts one characteristic of the Austrian propensity for dealing with important issues with large treatises with the British tendency for shorter, pithier approaches. In total, Hayek contributed nearly 60 pages, while Keynes contributed 11. The entire debate took place in *Economica*.

whether Keynes understands any of the «fundamental theorems of ‘real’ economics on which alone any monetary explanation can be successfully built....» (p. 270). Each man accuses the other of embellishment and confusion in making his case, and to an extent this is true, making this debate a difficult one to summarize.

Hayek’s «Reflections» was published in *Economica* in two parts, the first in August 1931. Keynes’ response to the first part was published in November 1931, and Hayek responded to Keynes in the same issue. The second part of Hayek’s Reflections was then published in February 1932.

Hayek’s argument can be described as an Austrian proto-critique of Keynesian (and much mainstream) monetary theory that would follow in future decades. He points out the problem with assuming that adjusting the money supply to levels necessary to maintain existing contracts will not affect investment and saving decisions in money markets. This is similar to present-day Austrian criticisms of the role central bankers assume to meet liquidity requirements in the economy. Keynes does not directly address this point, and criticizes Hayek for raising it, saying that doing so indicates that Hayek missed the central point to his *Treatise*.

Keynes proceeds to deal with Hayek’s explication of what would later be called the Austrian theory of the business cycle by arguing that new money entering the economy has a benign effect. «As I perceive it,» Keynes (p. 393) writes, «a changing price-level—due to a change in the relation between saving and investment, costs in production being unchanged—merely *redistributes* purchasing power between those who are buying at the changed price-level and those who are selling at it, as compared with what would have happened if there had not been a change in the relation between saving and investment.» Without addressing Hayek’s discussion of malinvestment created by new money entering the economy and resulting from saving and investment to become out of balance, Keynes spends the rest of his response criticizing Hayek’s *Prices and Production* (calling it «one of the most frightful muddles» he had ever read, demonstrating «how, starting with a mistake, a remorseless logician can end up in Bedlam.» [p. 394]).

Hayek's response to Keynes' disagreements borders on incredulousness that instead of responding to points he raised with respect to the *Treatise on Money*, Keynes chooses to critique *Prices and Production*. He writes: «I cannot believe that Mr. Keynes wishes to give the impression that he is trying to distract the attention of the reader from the objections which have been raised against his analysis by abusing his opponent, and I can only hope that [once the second part is published] he will not only try to refute my objection somewhat more specifically, but also substantiate his counter-criticism» (p. 398). Hayek goes on to re-argue the cause of malinvestment that results when money is no longer neutral, and to criticize Keynes' apparent belief that such changes in the money supply have no effect on the interest rate.

Keynes never responded in print to Hayek in this debate, rendering Hayek the winner. However, Keynes did respond by having Pietro Sraffa review *Prices and Production* in *Economic Journal*, who provided a hostile review in the March 1932 issue.

Winner: Hayek.

## 12. Hill – Horwitz

Seattle city planner Greg Hill (1996) opens this debate—a wide-ranging, five article Keynesian-vs.-Austrian skirmish that took place in the mid- and late-1990s—with the claim that Keynes offered a much-overlooked moral response to laissez-faire economics that Hill claimed is championed by the neoclassical and Austrian schools. However, he lumps these two schools together as sharing a Walrasian belief in market coordination and clearing, considering the Austrians as a simple variant of free-market neoclassicals. In this schema, he writes, «...market arrangements allow a perfectly efficient coordination of economic activity, ... market incomes are proportionate to the productive contributions of those who earn them, and ... each participant's economic fate is the result of the choices she (sic) made within the ideal system of social interaction» (p. 37). That each of these contentions are wrong in practice constitutes (because of the

market's tendency toward failure and dis-coordination) the «moral judgment of the *General Theory*.» (p. 38)

To this criticism, Horwitz (1996) responds first with a clarification for Hill on some of the key differences between neoclassical and Austrian thinking, especially on equilibrium theory. Beyond that, Horwitz notes that Hill's argument itself is something of a straw man, since (i) Austrians explicitly reject the Walrasian system, and since (ii) many neoclassicals recognize its limitations.

Horwitz responds to Hill's argument that Austrians believe that one's economic fate is dependent only on one's actions in the market by pointing out that in truth, one's fate is determined by «choices other people make as to what they wish to buy and how much they are willing to pay for it» (p. 356). Since Hill's contentions apply to neoclassicals but not Austrians, his characterization of the market system is not as devastating as he thinks. Horwitz then proceeds to present an Austrian critique of Hill's Keynesian arguments, noting the role of interest rate, wage, and price flexibility in promoting a great deal of coordination, and criticizing as backwards the Keynesian belief that spending generates income. Horwitz closes by arguing that although «markets do contain institutions that produce intertemporal coordination,» in reality «capitalism is full of government interventions ... into those coordinating processes.» (p. 370).

Hill was not persuaded. His response (1996) to Horwitz restates Keynesian theories with focus on five areas. The first deals with Horwitz' discussion of saving and investment. Here, he says that one's decision to save does not have the effect of decreasing interest rates (and allowing banks to lend more loanable funds) because the decision causes someone else to benefit less from consumption. Therefore, the individual's decision to save results in less income for someone else, which means that the effect on total saving is negated. The act of saving does not correspond to an act of investment. Hill says that for Horwitz to miss this point, then «it is clear that he has missed Keynes' message altogether» (p. 375).

Horwitz is also wrong on the question of wage flexibility, according to Hill. It's not that wages don't adjust; rather, it's that there is a bias toward their adjusting downward because every business owner prefers to pay lower wages. The result is a decrease

in aggregate demand. Hill also argues that Horwitz' claim that flexible wages tend to coordinate the supply and demand for labor would only apply «in terms of the perfect market of Walras» (p. 378). In this sense, Hill argues, Austrians are actually Walrasians.

Hill also differs with the Austrian contention that money is simply a good produced in the market to allow indirect exchange. The problem is that during a recession, stock and bond prices fall, causing economic agents to increase their demand for cash. This lack of investment is a market failure that causes the recession to persist, and it occurs because money is not simply a good among many produced in the market, but a specific one that can hinder productivity when demand for it rises. Furthermore, Horwitz' belief in market coordination is further «marred by a semantic confusion» that resulted from his forgetting that saving equals expenditure (p. 380). And if Austrians like Horwitz claim that low interest rates result when savers remove funds from the loanable funds market, they ignore the fact that resources can be idle, which means that they then have no effect on interest rates, thus weakening the role played by interest rates in coordinating the actions of savers and investors.

Finally, Hill admits that Keynesians and Austrians both reject the concept of full Walrasian equilibrium. However, he says that Keynesians reject the Austrian assumption that the lack of coordination results from uncertainly and fallible human beings (a point raised by Horwitz but far from the only explanation he provided for market dis-coordination). This is because (i) the market systems' shortcomings are systemic and cannot be explained by entrepreneurs' random errors, and (ii) since some errors are not self-correcting, markets can be prone to discoordination in the long run. Thus, when Horwitz sees falling prices as a tendency toward market correction, Keynesians see a liquidity trap squelching demand.

Hill's response to Horwitz amounted to a reassertion of Keynesian ideas, and Horwitz' response admits as much in his «Further Reply to Hill» (1998), maintaining that Hill frequently mischaracterized his arguments. He first notes that he never claimed, as Hill contended, that saving and investment is always balanced by the interest rate. However, this is effectively accomplished by



effective monetary institutions. Furthermore, Horwitz argues that Hill's belief that the decision to save is negated by the lost income to the person who otherwise would have benefited from consumption, is not as clear-cut as Hill suggests. One has to balance the marginal benefit from increasing the capital stock to the marginal loss suffered by the lost consumption. Over time, argues Horwitz, it is quite possible that more wealth results from the increase in the capital stock. What's more, Hill's concern about the liquidity trap that results when money held reflects not so much a failure of the capitalist system as it does shortcomings of existing financial institutions.

Horwitz adopts a similar argument to respond to Hill's assertions about wage stickiness. Horwitz argues that this is likely to be a problem in the presence of «monetary disequilibria,» such as when there are excesses or deficiencies in the money supply. The result is unemployment when prices are imperfectly flexible. This only happens, argues Horwitz, when «the economy's banking institutions [fail to] respond to changes in time preferences and the demand for money» (p. 98). Also, the decision to hoard money is not inconsistent with the time-preference theory of interest.

Indeed, much of Horwitz' response to Hill reflects the influence of Selgin (1988a) and White (1996), which suggests that present monetary institutions fail to the extent that they do not allow free banking. Significantly, he calls Hill to task for ignoring his main points about the role of government intervention in causing discoordination. It is incumbent on Hill, he says, «to offer an example where entrepreneurs make aggregate errors that are sustained for a long enough period to cause a recession, but *where the errors are not the result of distorted prices or incentives created by government intervention*. Otherwise, he has not shown that free market capitalism ... shows any tendency toward to system-wide errors» (pp. 103-104, italics in original).

Hill's (1998) response to Horwitz is the last paper in this debate (appearing in the same journal issue as Horwitz' second response). The title of Hill's response —«An Ultra- Keynesian Strikes Back»— is a good description of his positions on the issues under debate, as he proceeds to reiterate and defend his Keynesian doctrinal interpretations.

Hill begins by noting that raising a role of free banking institutions in promoting coordination is «a stunning proviso» because the capitalist system that Keynes critiqued was not characterized by such institutions. Nonetheless, Horwitz' claim that the decision to save does not necessarily reduce aggregate wealth amounts to circular reasoning, given Horwitz' argument that increased saving causes producer prices to rise due to the corresponding fall in interest rates. Hill argues that nonetheless, free banking would not solve this problem, because allowing banks to create their own currencies would not address money demand, but money supply. What's more, an increase on loans at one bank, made available by a decision to save, would have to be offset by a decrease in loans at another bank, because one party was not the recipient suffered from the decision to dissave.

Hill is also not persuaded by the argument that free banks are more likely to adjust the money supply so as to coordinate market activities than is a central bank. He argues that the volume of lending is self-reinforcing, if reduced lending at one bank leads to decreased deposits at others. The end result could result in a run on the banking system.

Further, Hill accuses Horwitz of misinterpreting Keynes' claim, in the *General Theory*, that prolonged unemployment results from inflexible wages. Rather, says Hill, unemployment persists because unemployed workers are not able to communicate to employers the demand they would have for their output if they were employed. That unemployed workers' intentions are not communicated in market wages in the real world discredits the Austrian (and Hayekian) views about the relationship between prices and information.

Winner: Hill.

#### IV. CONCLUSION

Rosen (1997) would determine the truth of the contentious issues mentioned at the outset of this paper is by pure nose counting. Consider, again, the three issues raised at the beginning of the

present paper. On 1, the minimum wage law does indeed create unemployment, because most economists believe this to be true. With regard to 2, the monetarists are correct on depressions, and the Austrians incorrect, since there are more of the former than the latter, and throughout the history of the economics profession, this is the way the voting always did go, or, rather, would have gone had there been any formal polling. As to 3, the Austrians are correct nowadays, since there are more dismal scientists who now take the anti-socialist rather than the pro-socialist point of view. However, during the period 1930-1960, it was the socialists who were in the ascendancy, and the free enterprisers in the minority; therefore, the truth of the matter was the other way around during those decades.

How would the present authors determine who was right on these issues? Our opinion is that there is no substitute for economic analysis specific to each question. In our own view, correct economic analysis indicates that 1. the minimum wage law does indeed cause unemployment for low skilled workers; 2. ABCT is correct, and the monetarists are incorrect, on business cycle theory; and 3. Socialism is an abject failure. However, to more than indicate our own conclusions on these matters would necessarily take us too far off the point of the present article to pursue.

How then would «our» objective criterion of the last man standing determine the truth or falsity of these three claims? This is far easier. We again conclude that 1. the minimum wage prices low productivity workers out of the market. But now, our reasoning has nothing to do with supply and demand curves being intersected by minimum price lines above equilibrium, and the overwhelming number of studies illustrating this bit of Economics 101. Rather, it stems from the fact that the most recent article to make this claim (Card and Krueger, 1994), was overwhelmed with a plethora of publications to the contrary,<sup>53</sup> and since CK have not since replied to any of them they are wrong.

As far as 2 is concerned, using this criterion, we are agnostic on the matter. That is because business cycle analysis is still a

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<sup>53</sup> See for example, Brown (1995), Hamermesh (1995), Kennan (1995), Neumark and Wascher (1995), Welch (1995).

contentious issue in economics. There are books and articles on this topic appearing almost every day. There is no clear «last word» on this matter. And unless and until there is, the last speaker still on his feet criterion is of no use in determining truth.

In contrast 3 is an easier matter. The only socialists still carping about the greatness of their system are hidden under rocks, somewhere, if, indeed, there are any such still remaining. Even eminent socialists such as Heilbroner (1990) have explicitly disavowed their previous indiscretions in this regard. Further, «Communism» in «Red» China has a surprisingly capitalist look. Perhaps the only places where central planning is still championed are North Korea and Cuba; these defenses can be dismissed, however, since authors in these places publish under duress. Economists emanating from the «People's Republics» of Berkeley, Santa Monica, Amherst, Ann Arbor and the Upper West Side of Manhattan favor «Communitarianism,» whatever that is (Block, forthcoming), not outright socialism, and this is true, too, for the academic departments of major universities in sociology, feminist «studies,» black «studies,» gay «studies,» religion and literature. Ergo, socialism is wrong, according to our own misbegotten theory. Since the capitalists have had the last word in this debate, they must, perforce, be correct in their contentions.

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