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A BRIEF HISTORY OF FREE-MARKET ECONOMICS AND THINKERS

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Wikipedia

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Meet Scott Smith, Editor of *Swiss Confidential*

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Before his recent retirement, American-born Scott Smith spent nearly 30 years as a member of the Swiss investment banking community.

He spent most of his long career at legendary investment banking giant Credit Suisse, where he was an executive working in the foreign exchange and derivatives departments.

Over the course of his career, Scott became privy to the closely guarded, somewhat regimented, wealth building and asset-protection strategies that have made the Swiss among the wealthiest people in the world - wealthier even than Americans, according to the World Bank.

In addition to writing special reports, such as this Swiss Perspective, Scott is also a contributing editor to the TheDailyBell.com and the editor of a membership based investment newsletter called ***Swiss Confidential***.

In each issue of ***Swiss Confidential***, Scott shares with subscribers the valuable analytical techniques he learned while working within the fast-paced Swiss investment banking industry – techniques that often enable him to uncover investment opportunities before other mainstream financial commentators.

Scott's unique Swiss-inspired approach is to break down the propaganda and look for reasons not to invest. He was trained to humbly recognize that experts have a limited frame of reference for their so called expertise – including his own. And since he accepts full responsibility for the investment opportunities he introduces in ***Swiss Confidential***, you can be assured that he performs an extensive amount of due diligence.

When analyzing the merits of a potential investment opportunity, Scott believes it is imperative to assemble a due diligence team comprised of third party experts specifically for the purposes of analyzing that particular investment. His team approach is designed to probe deeply behind the curtains of propaganda and ask the real questions - the tough ones most people don't ask – the one's that allow for an intelligent decision to be made.

Armed with common sense information, real facts and figures, Scott is able to confidently offer his premium investment analysis and conclusions to his subscribers. It's the kind of financial information and guidance that can help you protect and grow your wealth as the global financial crisis deepens over the next few years.

Swiss Confidential also reflects Scott's reverence for personal responsibility and free-market principles. And in keeping with those principles, he accepts the duty to protect your personal information.

For more information about Scott Smith's Swiss Confidential, please visit **www.SwissConfidential.com**

A Brief History of Free-Market Economics and Thinkers

The free-market is a system of voluntary commerce (trading). Government rules and laws, whether "worthy" or not, must be seen within the parameters of economic literacy as a marketplace distortion, creating scarcity, queues, or both.

Free-market economics are often referred to as Austrian economics. The "Austrian" school is fairly modern - neo-classical as opposed to classical. Many economists who promoted this sort of economics were Austrian - thus the name. Ludwig von Mises was the Austrians' prime 20th century exponent. Perhaps his greatest work, "Human Action," shows clearly that people can - and do - take action to remold economic circumstances and better their lots in life. Such perspectives invalidate the logic of central planning and of the modern sophistries of Western law in general, which tend to assume that trends are static and human behavior inelastic and unadaptive. For this reason, among others, von Mises never received wide circulation in America during the 20th century. It is only thanks to a stubborn few, (notably the Mises Institute) aided now by the Internet, that his thought, and that of the Austrian free-market school itself, is becoming better known.

Free-market thinkers are individuals who seek to implement the above definition as a basis for an improved, freer social order. Free-market thinkers are financially literate and unafraid to face the realities of the world around them. They have been self-actualized by their independent studies of the market and how humans relate to each other within the ambit of private and public commerce. They seek to make the most of their abilities and talents within a realistic framework, rather than a money-power promotional meme.

Free-market economics got its start back in the 1600s with the followers of St. Thomas Aquinas - "The Late Scholastics" - who built on the ground-breaking observations of Aquinas to explain how inflation really works and how economic value accretes. And Robert Jacques Turgot, followed on the heels of The Scholastics. The pro-market French aristocrat and finance minister under the ancient regime produced economic writings that were few but profound. His paper Value and Money spelled out the origins of money, and the nature of economic choice: that it reflects the subjective rankings of an individual's preferences.

Turgot was a leading member of the physiocrats, a group of economists who believed that the wealth of nations was derived solely from the value of land agriculture or land development. Their theories originated in France and were most popular during the second half of the 18th century. Physiocracy is perhaps the first well developed theory of economics.

The movement immediately preceded the first modern school, classical economics, which began with the publication of Adam Smith's The Wealth of Nations in 1776. The most significant contribution of the physiocrats was their emphasis on productive work as the source of national wealth. This is in contrast to earlier schools, in particular mercantilism, which often focused on the ruler's wealth, accumulation of gold or the balance of trade.

Richard Cantillon demonstrated that relative prices are reducible to land-absorption rates, Cantillon can be said to have derived a fully-working "land theory of value." Cantillon's careful description of a supply-and-demand mechanism for the determination of short-run market prices (albeit not long-run natural prices) also stand him as a progenitor of the Marginalist Revolution. In particular, his insightful notes on entrepreneurship (as a type of arbitrage) have made him a darling of the modern Austrian School.

"Free-market" economic theory was codified, in part, by Adam Smith who came up with the term "invisible hand" to describe the workings of the "marketplace." A Scottish moral philosopher and a pioneer of political economy, Smith was one of the key figures of the Scottish Enlightenment. He is the author of An Inquiry into the Nature and Causes of the Wealth of Nations. Usually abbreviated as The Wealth of Nations, the treatise is considered his magnum opus and he is widely cited as the father of modern economics. In the opinion of famous free-market economist Murray Rothbard, Smith got it wrong however when he referred to the "wealth of nations" in his famous economic treatise of the same title. For Rothbard, it is the wealth of individuals, and nations have nothing to do with it.

Frederic Bastiat was a French economist, legislator, and writer who championed private property, free markets, and limited government. Perhaps the main underlying theme of Bastiat's writings was that the free market was inherently a source of "economic harmony" among individuals, as long as government was restricted to the function of protecting the lives, liberties, and property of citizens from theft or aggression. To Bastiat, governmental coercion was only legitimate if it served "to guarantee security of person, liberty, and property rights, to cause justice to reign over all." Because of his stress on the role of consumer demand in initiating economic progress, Bastiat has been described by Mark Thornton, Thomas DiLorenzo, and other economists as a forerunner of the Austrian School.

What are certainly two of the most important laws of economics were developed by Jean Baptiste Say and Carl Menger - along with several other economists not identified with the Austrian school. Say proposed what is now known as "Say's Law." This simply states that supply and demand will reach equilibrium if allowed to adjust within a free market, and without interference. But the cleverness of Say's law lies in the perception that supply can stimulate demand as well as vice-versa.

Carl Menger is at least partially responsible for the concept that has become the dividing line between the static analysis of classical economics and the active analysis of neo-classical economics. The concept, known as marginal utility, states that the individual value of a unit decreases as the amount or volume of units increases. When we have more, what we have more of is worth less. Additionally, the market itself must make the calculation as to the exact worth of units "at the margin." Eugen Ritter von Böhm-Bawerk was an Austrian economist who made important contributions to the development of Austrian economics. He was trained in the University of Vienna as a lawyer where he read Carl Menger's Principles of Economics. Though he never studied under Menger, he quickly became an adherent of his theories. Joseph Schumpeter said that Böhm-Bawerk "was so completely the enthusiastic disciple of Menger that it is hardly necessary to look for other influences."

Frank A. Fetter participated in a notable debate with English economist and proponent of econometrics (mathematical modeling) Alfred Marshall, both through his 1904 Principles of Economics and a number of journal articles in the American Economic Association's journals and in the Quarterly Journal of Economics. Fetter believed in the subjective theory of value, and thus supported a pure time preference theory of interest. Fetter's treatise, Principles of Economics (1904), has been described by Herbener as "unsurpassed until Ludwig von Mises's treatise of 1940, Nationaloekonomie."

Ludwig von Mises, and later his students F.A. Hayek and Murray Rothbard, developed or expanded upon the concepts of human action and the business cycle - and today their work is continued to be supported by organizations such as the Mises Institute. The business cycle, as defined in the modern day, is a primarily central bank-driven phenomenon. The central bank prints more money and injects more credit into the economy than is necessary. The volume of money leads to inflation which, in turn, stimulates a "boom." As the economy overheats, products and services that are an unnecessary outcome of the artificial boom become commonplace, leading to glut and, inevitably, to a collapse. During the boom, the central bank may artificially increase interest rates while also raising the amount of money available via credit and its printing plants. This gradually eases the economy (best case) into a "soft landing" - after which the cycle begins again.

In a free market, the business cycle would be radically reduced because gold and silver, either hoarded or dug out of the ground, would respond to market forces. First, hoarders would release precious metals. But it is likely, too, that mining would respond to price fluctuation as well. Too much gold or silver in the economy and prices would go down, closing mines. Too little gold and silver and the prices would go up, stimulating mining production. If the government and the monetary elite would agree to allow gold and silver coins to circulate next to fiat money of all kinds, the world would soon be back on the only kind of money standard that truthfully can be called "honest" - the free-market standard of gold and silver.

Benjamin Anderson was born in Columbia, Missouri to Benjamin McLean Anderson, a businessman and a politician. He was a leading opponent of the New Deal and an enthusiastic supporter of a free market gold standard. In 1939, Anderson again entered the academic community, this time as a professor of economics at the University of California, Los Angeles. He held this position until his death (from a heart attack) in 1949. Henry Hazlitt, who is often cited as having popularized Austrian economics in the English-speaking world, credits Anderson with acquainting him with the work of Ludwig von Mises and other Austrians. Henry Hazlitt was a prolific writer, authoring some 25 books in his lifetime. Hazlitt is well-known for his book Economics in One Lesson, but he also wrote other books, among which are a major work on ethics, The Foundations of Morality, and The Failure of the New Economics, a detailed chapter-by-chapter critique of Keynes's General Theory of Employment, Interest, and Money (of which he paraphrased a quote attributed to Samuel Johnson that he was "unable to find in it a single doctrine that is both true and original. What is original in the book is not true; and what is true is not original."

Another great popularizer of free markets, Murray Rothbard helped found the American-based Mises Institute which has today carried forward the tradition of free-market thinking to a new and greatly expanded generation of youthful minds who are making a difference the world over. Llewellyn Harrison Rockwell, Jr. is the dogged and brilliant director of this fast-growing operation which has shaken the foundations of the Keynesian consensus of the 20th century and put humankind back on the road toward something closer to free markets.

As part of the movement toward free markets (and any survey of the Internet will find thousands of sites and hundreds of thousands of pro-free-market articles these days) there has also been a renewed interest in free-banking. This is a theory of banking which invokes only market forces, with a conspicuous absence of central banks and any banking regulations, with only the general commercial laws applicable. Free banking includes no restrictions on the formation of banks, the issue of bank notes, the acceptance of demand and term deposits, and the provision of loans, advances and other forms of credit. Banks would also be free to engage in non-banking businesses such as insurance, and non-banks would be free to engage in the business of banking. Banks would set their own credit, capital and reserve policies. This area of study has been developed further by Lawrence H. White and George Selgin in books such as "Free Banking in Britain: Theory, Experience and Debate 1800- 1845." There is speculation that with electronic currencies free banking can evolve into Anonymous internet banking. Antal E. Fekete's doctrine of real-bills further bolsters the case for private fractional reserve, "free" banking.

The topic of free-banking is extraordinarily controversial even among free-market thinkers. However, if owners of private banks explain that they are going to "print" more money than the precious metals they hold in their vaults, and if individuals still choose to utilize their services, then the free market itself should be given a chance to operate. The insistence of certain free-market thinkers that banks cannot or should not lend money much beyond the gold or silver stored in their vaults has likely been used to deride and marginalize the Austrian School of Economics - which is otherwise a magnificent expression of the human spirit.

As the 21st century continues, despite economic challenges, the future is bright for free-markets and for the underlying philosophy that supports them.

FREE MARKET THINKERS

Thomas Aquinas (1225-1274) sought to explain the full range of human action and social organization. He did not seek to utilize a superior deity as an explanation for all things but sought rational explanations based on observation and logic. This perspective eventually placed him in the church as a foremost classical proponent of natural theology, and the father of the Thomistic school of philosophy and theology. His influence on Western thought is considerable, and much of modern philosophy was conceived as a reaction against, or as an agreement with, his ideas, particularly in the areas of ethics, natural law and political theory. The works for which he is best-known are the Summa Theologica and the Summa Contra Gentiles. One of the 33 Doctors of the Church, he is considered by many Catholics to be the Church's greatest theologian and philosopher. The philosophy of Aquinas has exerted enormous influence on subsequent Christian theology, especially that of the Roman Catholic Church, extending to Western philosophy in general, where he stands as a vehicle and modifier of Aristotelianism, which he fused with the thought of Augustine. Aquinas believed "that for the knowledge of any truth whatsoever man needs divine help, that the intellect may be moved by God to its act." However, he believed that human beings have the natural capacity to know many things without special divine revelation, even though such revelation occurs from time to time, "especially in regard to [topics of] faith." Aquinas was also an Aristotelian and an empiricist. He substantially influenced these two streams of Western thought. Aquinas believed that truth is known through reason (natural revelation) and faith (supernatural revelation). Supernatural revelation has its origin in the inspiration of the Holy Spirit and is made available through the teaching of the prophets, summed up in Holy Scripture, and transmitted by the Magisterium, the sum of which is called "Tradition".

Natural revelation is the truth available to all people through their human nature; certain truths all men can attain from correct human reasoning. For example, he felt this applied to rational proofs for the existence of God. Though one may deduce the existence of God and his Attributes (One, Truth, Good, Power, Knowledge) through reason, certain specifics may be known only through special revelation (such as the Trinity). In Aquinas' view, special revelation is equivalent to the revelation of God in Jesus Christ. The major theological components of Christianity, such as the Trinity and the Incarnation, are revealed in the teachings of the Church and the Scriptures and may not otherwise be deduced. Supernatural revelation (faith) and natural revelation (reason) are complementary rather than contradictory in nature, for they pertain to the same unity: truth.

Late Scholastics (1550-1620) emphasized reason and observation when it came to understanding the natural world and the human experience within it. Scholasticism is derived from the Latin word scholasticus (Greek: σχολαστικός) which means "that [which] belongs to the school", and was a method of learning taught by the academics (or school people) of medieval universities circa 1100–1500. Scholasticism originally started to reconcile the philosophy of the ancient classical philosophers with medieval Christian theology. Scholasticism is not a philosophy or theology in itself but a tool and method for learning which places emphasis on dialectical reasoning. The primary purpose of scholasticism is to find the answer to a question or to resolve a contradiction. It is most well-known for its application in medieval theology, but was eventually applied to classical philosophy and many other fields of study. The main figures of scholasticism were Peter Abelard, Albertus Magnus, Duns Scotus, William of Ockham, Bonaventure and, above all, Thomas Aquinas, whose Summa Theologiae is an ambitious synthesis of Greek philosophy and Christian doctrine. Echoing the increasing influence of Aristotle above Plato in the 13th century, the deductive and a priori aspects of scholastic reasoning were to some extent displaced by the inductive reasoning of modern science. The Late Scholastics were advocates of property rights and the freedom to contract and trade. They celebrated the contribution of business to society, while doggedly opposing taxes, price controls, and regulations that inhibited enterprise. As moral theologians, they urged governments to obey ethical strictures against theft and murder. Over the course of several generations, they discovered and explained the laws of supply and demand, the cause of inflation, the operation of foreign exchange rates, and the subjective nature of economic value.

Richard Cantillon (1680-1734), acknowledged by many historians as the first great economic "theorist", is an obscure character. This much is known: he was an Irishman with a Spanish name who lived in France most of his life. He is said to have speculated profitably in Compagnie Perpetuelle des Indes shares, unlike so many others, during the John Law adventures, making a fortune of some twenty million livres before moving to England. He died in a fire, allegedly set by his discharged cook, in his London home. Cantillon's entire reputation rests on his one remarkable treatise, Essai Sur la Nature du Commerce en Général, that was written in French circa 1730 and published anonymously in England some twenty years after his death (though some claim it was only a French translation of a lost English original). Cantillon was perhaps the first to define long-run equilibrium as the balance of flows of income, thus setting the foundations both for Physiocracy as well as Classical Political Economy. Cantillon's system was clear and simple and absolutely path-breaking. He developed a two-sector general equilibrium system from which he obtained a theory of price (determined by costs of production) and a theory of output (determined by factor inputs and technology). His work is quoted by Adam Smith in his Wealth of Nations. According to Nobel laureate Friedrich Hayek, Jevons was scarcely exaggerating when he entitled Cantillon's work as the "Cradle of Political Economy". He followed up on William Petty's conjecture about the par of labour and land, thereby enabling him to reduce labor to the amount of necessities needed to sustain it and thus making both labor supply and output a function of the land absorption necessary to produce the necessities to feed labor and the luxuries to feed landlords. By demonstrating that relative prices are reducible to land-absorption rates, Cantillon can be said to have derived a fully-working "land theory of value". Cantillon's careful description of a supply-and-demand mechanism for the determination of short-run market price (albeit not long-run natural price) also stand him as a progenitor of the Marginalist Revolution. In particular, his insightful notes on entrepreneurship (as a type of arbitrage) have made him a darling of the modern Austrian School. Cantillon was also one of the first (and among the clearest) articulators of the Quantity Theory of Money and attempted to provide much of the reasoning behind it. Finally, one of the consequences of his theory was that he arrived at a quasi-Mercantilist policy conclusion for a favorable balance of trade but with a twist: Cantillon recommended the importation of "land-based products" and the exporting of "non-land-based" products as a way of increasing national wealth. Cantillon was born in the town of Ballyheigue, County Kerry, Ireland, lived a considerable portion of his life in France, and died in London.

Anne Robert Jacques Turgot (1727-1781) was a pro-market French aristocrat and finance minister under the ancien regime. His economic writings were few but profound. His paper Value and Money spelled out the origins of money, and the nature of economic choice: that it reflects the subjective rankings of an individual's preferences. Turgot solved the famous diamond-water paradox that baffled later classical economists, articulated the law of diminishing returns, and criticized usury laws (a sticking point with the Late Scholastics). He favored a classical liberal approach to economic policy, recommending a repeal of all special privileges granted to government-connected industries. Turgot was the intellectual father of a long line of great French economists of the eighteenth and nineteenth century, most prominently Jean Baptiste Say and Claude-Frederic Bastiat.

The Physiocrats (1700-1780) were a group of economists who believed that the wealth of nations was derived solely from the value of land agriculture or land development. Their theories originated in France and were most popular during the second half of the 18th century. Physiocracy is perhaps the first well developed theory of economics. The movement was particularly dominated by Anne-Robert-Jacques Turgot (1727–1781) and François Quesnay (1694–1774). It immediately preceded the first modern school, classical economics, which began with the publication of Adam Smith's The Wealth of Nations in 1776. The most significant contribution of the physiocrats was their emphasis on productive work as the source of national wealth. This is in contrast to earlier schools, in particular mercantilism, which often focused on the ruler's wealth, accumulation of gold or the balance of trade. A chief weakness from the viewpoint of modern economics is that they only considered agricultural labor to be valuable. Physiocrats viewed the production of goods and services as consumption of the agricultural surplus, while modern economists consider these to be productive activities which add to national income. Historian David B. Danbom explains, "The Physiocrats damned cities for their artificiality and praised more natural styles of living. They celebrated farmers." They called themselves économistes, but are generally referred to as physiocrats in order to distinguish them from the many schools of economic thought that followed them. Physiocrat is derived from the Greek for "Government of Nature."

Adam Smith (1723 –1790) was a Scottish moral philosopher and a pioneer of political economy and the intrinsic power of free-markets. One of the key figures of the Scottish Enlightenment, Smith is the author of The Theory of Moral Sentiments and An Inquiry into the Nature and Causes of the Wealth of Nations. The latter, usually abbreviated as The Wealth of Nations, is considered his magnum opus and the first modern work of economics. Adam Smith is widely cited as the father of modern economics. He attended the Burgh School of Kirkcaldy – characterized by Rae as "one of the best secondary schools of Scotland at that period" – from 1729 to 1737. There he studied Latin, mathematics, history, and writing. Smith studied moral philosophy at the University of Glasgow and Oxford University. After graduating he delivered a successful series of public lectures at Edinburgh, leading him to collaborate with David Hume during the Scottish Enlightenment. Smith obtained a professorship at Glasgow teaching moral philosophy, and during this time wrote and published The Theory of Moral Sentiments. In his later life he took a tutoring position which allowed him to travel throughout Europe where he met other intellectual leaders of his day. Smith returned home and spent the next ten years writing The Wealth of Nations (mainly from his lecture notes) which was published in 1776 and included the now famous term "invisible hand" to describe the workings of the "marketplace."

Jean Baptiste Say was the first economist to think deeply about economic method. He realized that economics is not about the amassing of data, but rather about the verbal elucidation of universal facts (for example, wants are unlimited, means are scarce) and their logical implications. Say discovered the productivity theory of resource pricing, the role of capital in the division of labor, and "Say's Law": there can never be sustained "overproduction" or "underconsumption" on the free market if prices are allowed to adjust. He was a defender of laissez-faire and the industrial revolution, as was Bastiat. As a free-market journalist, Bastiat also argued that nonmaterial services are subject to the same economic laws as material goods. In one of his many economic allegories, Bastiat spelled out the "broken-window fallacy" later popularized by Henry Hazlitt. Despite the theoretical sophistication of this developing pre-Austrian tradition, the British school of the late eighteenth and early nineteenth centuries won the day, mostly for political reasons. This British tradition (based on the objective-cost and labor-productivity theory of value) ultimately led to the rise of the Marxist doctrine of capitalist exploitation. The dominant British tradition received its first serious challenge in many years when Carl Menger's Principles of Economics was published in 1871.

Carl Menger (1840 – 1921) was the founder of the Austrian School of economics, famous for contributing to the development of the theory of marginal utility that refuted the cost-of-production theories of value developed by the classical economists such as Adam Smith and David Ricardo. Menger was born in Nowy Sącz, Poland (at that time Neu Sandec, Austrian Galicia). He was the son of a wealthy family of minor nobility; his father, Anton, was a lawyer. His mother, Caroline, was the daughter of a wealthy Bohemian merchant. He had two brothers, Anton and Max, both prominent as lawyers. After attending Gymnasium he studied law at the Universities of Prague and Vienna and later received a doctorate in jurisprudence from the Jagiellonian University in Kraków. In the 1860s Menger left school and enjoyed a stint as a journalist reporting and analyzing market news, first at the Lemberger Zeitung in Lwów, Ukraine and later at the Wiener Zeitung in Vienna. During the course of his newspaper work he noticed a discrepancy between what the classical economics he was taught in school said about price determination and what real world market participants believed. In 1867 Menger began a study of political economy which culminated in 1871 with the publication of his Principles of Economics (Grundsätze der Volkswirtschaftslehre), thus becoming the father of the Austrian School of economic thought. It was in this work that he challenged classical cost-based theories of value with his theory of marginality. In 1872 Menger was enrolled into the law faculty at the University of Vienna and spent the next several years teaching finance and political economy both in seminars and lectures to a growing number of students. In 1873 he received the university's chair of economic theory at the very young age of 33. In 1876 Menger began tutoring Archduke Rudolf von Habsburg, the Crown Prince of Austria in political economy and statistics. For two years Menger accompanied the prince in his travels, first through continental Europe and then later through the British Isles. He is also thought to have assisted the crown prince in the composition of a pamphlet, published anonymously in 1878, which was highly critical of the higher Austrian aristocracy. His association with the prince would last until Rudolf's suicide in 1889 (see the Mayerling Affair). In 1878 Rudolf's father, Emperor Franz Josef, appointed Menger to the chair of political economy at Vienna. The title of Hofrat was conferred on him, and he was appointed to the Austrian Herrenhaus in 1900. Ensconced in his professorship he set about refining and defending the positions he took and methods he utilized in Principles, the result of which was the 1883 publication of Investigations into the Method of the Social Sciences with Special Reference to Economics (Untersuchungen über die Methode der Socialwissenschaften und der politischen Oekonomie insbesondere). The book caused a firestorm of debate, during which members of the Historical School of economics began to derisively call Menger and his students the "Austrian School" to emphasize their departure from mainstream economic thought in Germany. In 1884 Menger responded with the pamphlet The Errors of Historicism in German Economics and launched the infamous Methodenstreit, or methodological debate, between the Historical School and the Austrian School. During this time Menger began to attract like-minded disciples who would go on to make their own mark on the field of economics, most notably Eugen von Böhm-Bawerk and Friedrich von Wieser. In the late 1880s Menger was appointed to head a commission to reform the Austrian monetary system. Over the course of the next decade he authored a plethora of articles which would revolutionize monetary theory including "The Theory of Capital" (1888) and "Money" (1892).

Eugen Ritter von Böhm-Bawerk (1851–1914) was an Austrian economist who made important contributions to the development of Austrian economics. Trained in the University of Vienna as a lawyer where he read Carl Menger's Principles of Economics. Though he never studied under Menger, he quickly became an adherent of his theories. Joseph Schumpeter said that Böhm-Bawerk "was so completely the enthusiastic disciple of Menger that it is hardly necessary to look for other influences." During his time at the Vienna University he became good friends with Friedrich von Wieser, who later became Boehm-Bawerk's brother-in-law. After completing his studies he entered the Austrian ministry of finance. He spent the 1880s at the University of Innsbruck (1881-1889). During this time he published the first two (out of three) volumes of his magnum opus, Capital and Interest. In 1889 he was called to Vienna by the finance ministry to draft a proposal for direct-tax reform. The Austrian system at the time taxed production heavily, especially during wartime, providing massive disincentives to investment. Böhm-Bawerk's proposal called for a modern income tax, which was soon approved and met with a great deal of success in the next few years. He then became Austrian Minister of Finance in 1895. He was to serve briefly and again on another occasion, although a third time he remained in the post from 1900-1904. As Finance Minister he fought continuously for strict maintenance of the legally fixed gold standard and a balanced budget. In 1902 he eliminated the sugar subsidy, which had been a feature of the Austrian economy for nearly two centuries. He finally resigned in 1904, when the increased fiscal demands of the army threatened to unbalance the budget. He wrote extensive critiques of Karl Marx's economics in the 1880s and 1890s, and several prominent Marxists—including

Rudolf Hilferding—attended his seminar in 1905-06. He returned to teaching in 1904, with a chair at the University of Vienna. He taught many students including Joseph Schumpeter, Ludwig von Mises and Henryk Grossman. He died in 1914. The first volume of Capital and Interest, which Ludwig von Mises decreed as "the most eminent contribution to modern economic theory", titled History and Critique of Interest Theories (1884), is an exhaustive study of the alternative treatments of interest: use theories, productivity theories, abstinence theories, and so on. Also included was a critique of Marx's exploitation theory. Böhm-Bawerk argued that capitalists do not exploit their workers; they actually help employees by providing them with an income well in advance of the revenue from the goods they produced, stating "Labor cannot increase its share at the expense of capital." In particular, he argued that the Marxist theory of exploitation ignores the dimension of time in production, which he discussed in his theory of roundaboutness and that a redistribution of profits from capitalist industries will undermine the importance of the interest rate as a vital tool for monetary policy. From this criticism it follows that, according to Böhm-Bawerk, the whole value of a product is not produced by the worker, but that labour can only be paid at the present value of any foreseeable output. He developed the idea of subjective value as related to marginalism, in that things only have value insofar as such people want such goods: It is on the margin, and not with a view to the big picture, that we make economic decisions.

Ludwig Heinrich Edler von Mises (1881 – 1973) was an Austrian economist, philosopher, author and classical liberal who had a major influence on the modern libertarian movement. Fearing the prospect of Germany taking control over Switzerland, in 1940 Mises with other Jewish refugees left Europe and emigrated to New York City. There he became a visiting professor at New York University, from 1945 until his retirement in 1969, though he was not salaried by the university. Instead, he earned his living from funding by businessmen such as Lawrence Fertig. He died at the age of 92 at St. Vincent's hospital in New York. Mises wrote and lectured extensively on behalf of classical liberalism and is seen as one of the leaders of the Austrian School of economics. In his treatise on economics, Human Action, Mises introduced praxeology as a more general conceptual foundation of the social sciences and established that economic laws were only arrived at through the means of methodological individualism firmly rejecting positivism and materialism as a foundation for the social sciences. Many of his works, including his great work Human Action, were on two related economic themes: monetary economics and inflation; the differences between government controlled economies and free trade. Mises argued that money is demanded for its usefulness in purchasing other goods, rather than for its own sake and that any unsound credit expansion causes business cycles. His other notable contribution was his argument that socialism must fail economically because of the economic calculation problem – the impossibility of a socialist government being able to make the economic calculations required to organize a complex economy. Mises projected that without a market economy there would be no functional price system, which he held essential for achieving rational and efficient allocation of capital goods to their most productive uses. Socialism would fail as demand cannot be known without prices, according to Mises. Mises' criticism of socialist paths of economic development is well-known. Economist Robert Heilbroner acknowledged after the fall of the Soviet Union, that "It turns out, of course, that Mises was right" about the impossibility of socialism. "Capitalism has been as unmistakable a success as socialism has been a failure. Here is the part that's hard to swallow. It has been the Friedmans, Hayeks, and von Miseses who have maintained that capitalism would flourish and that socialism would develop incurable ailments."

Henry Hazlitt (1894-1993) is most famous for his free-market oriented Economics in One Easy Lesson. He was a libertarian economist, and journalist for The Wall Street Journal, The New York Times, Newsweek, and The American Mercury, among other publications. In childhood his family's finances were meagre, his father having died when Hazlitt was an infant. He attended New York City's tuition-free City College, but left after a year and a half to become a journalist. Hazlitt started his career at The Wall Street Journal, and he wrote his first book, Thinking as a Science, at the age of 21. He also worked as a journalist for the New York Sun and as the finance and economics editor of The New York Times. He was H. L. Mencken's chosen successor as editor of The American Mercury, an associate editor of The Nation, financial editor of the New York Evening Mail, the American correspondent for the Revue economique internationale of Belgium, wrote a signed column for Newsweek, and, with John Chamberlain, served as editor of the early free market publication The Freeman. He is credited with bringing Austrian economics to an English-speaking audience. Along with the efforts of his friends, John Chamberlain and Max Eastman, for example, he is credited with bringing F. A. Hayek's The Road to Serfdom to the American reading public's attention through his review in The New York Times. Hazlitt was a prolific writer, authoring some 25 books in his lifetime. Hazlitt is well-known for his book Economics in One Lesson, but he also wrote other books, among which are a major work on ethics, The Foundations of Morality, and The Failure of the New Economics, a detailed chapter-by-chapter critique of Keynes's General Theory of Employment, Interest, and Money (of which he paraphrased a quote attributed to Samuel Johnson that he was "unable to find in it a single doctrine that is both true and original. What is original in the book is not true; and what is true is not original."

Benjamin Anderson (1886-1949) was born in Columbia, Missouri to Benjamin McLean Anderson, a businessman and a politician. When he was sixteen years old, Anderson enrolled in classes at the University of Missouri in his hometown and earned his A.B. in 1906. After receiving his bachelor's degree, Anderson accepted an appointment as professor of political economy and sociology at Missouri Valley College, where he remained for a year before becoming head of the department of political economy and sociology at the State Normal School (later known as Missouri State University) in Springfield, Missouri. Anderson soon became a degree-seeking student again, this time pursuing his A.M. from the University of Illinois at Urbana-Champaign. He completed his master's degree in 1910 and finished his Ph.D. at Columbia University only a year later. Part of his dissertation was later published as Social Value: A Study in Economic Theory, Critical and Constructive. After earning his doctoral degree, Anderson taught at Columbia University and then Harvard University. During this time he penned his Value of Money, a critique of the quantity theory of money. He left Harvard to join New York City's National Bank of Commerce in 1918. He remained with NBC for only two years, however, before Chase National Bank hired him as an economist and as the new editor of the bank's Chase Economic Bulletin. It was during this time that the scope of Anderson's writing widened to include articles critical of progressive policy in such diverse areas as money, credit, international economic policy, agriculture, taxation, war, government debt, and economic planning. He was a leading opponent of the New Deal and an enthusiastic supporter of a free market gold standard. In 1939, Anderson again entered the academic community, this time as a professor of economics at the University of California, Los Angeles. He held this position until his death (from a heart attack) in 1949. Henry Hazlitt, who is often cited as having popularized Austrian economics in the English-speaking world, credits Anderson with acquainting him with the work of Ludwig von Mises and other Austrians.

Explains Hazlitt, "I was very lucky in my friendships and lucky in the books I chose. I read a book by Benjamin M. Anderson, whom I later got to know. This was his 1917 book The Value of Money. He was an acute critic of nearly all other writers on money, and especially of Irving Fisher and his mechanical quantity theory of money. Mac Anderson read German, and discussed many German writers on money. He referred to the German edition of Ludwig von Mises's Theory of Money and Credit and wrote: 'In von Mises there seems to me to be very noteworthy clarity and power. His Theorie des Geldes und der Umlaufsmittel is an exceptionally excellent book.' That impressed me."

Frederic Bastiat (1801-1850) was a French economist, legislator, and writer who championed private property, free markets, and limited government. Perhaps the main underlying theme of Bastiat's writings was that the free market was inherently a source of "economic harmony" among individuals, as long as government was restricted to the function of protecting the lives, liberties, and property of citizens from theft or aggression. To Bastiat, governmental coercion was only legitimate if it served "to guarantee security of person, liberty, and property rights, to cause justice to reign over all." Bastiat was born in Bayonne, Aquitaine, France. When he was nine years old, he was orphaned and became a ward of his father's parents. At age seventeen he left school to become more involved with his family's business as an exporter. Economist Thomas DiLorenzo suggests that this family business experience was crucial to Bastiat's later work because it allowed young Frédéric to acquire first-hand knowledge of some of the effects of trade regulations on the market. When Bastiat was twenty-five, his grandfather and benefactor died, leaving the young man the family estate and providing him with the means to further his own theoretical inquiries. His areas of intellectual interest were diverse, including "philosophy, history, politics, religion, travel, poetry, political economy, [and] biography." His public career as an economist began only in 1844, and was cut short by his untimely death in 1850. Bastiat had contracted tuberculosis, probably during his tours throughout France to promote his ideas, and that illness eventually prevented him from making further speeches (particularly at the legislative assembly to which he was elected in 1848 and 1849) and took his life. Bastiat died in Rome on December 24, 1850. Because of his stress on the role of consumer demand in initiating economic progress, Bastiat has been described by Mark Thornton, Thomas DiLorenzo, and other economists as a forerunner of the Austrian School. As Bastiat famously put it, an economist must take into account both "What is Seen and What is Not Seen." Bastiat's "rule" was later expounded and developed by Henry Hazlitt in his work Economics in One Lesson, in which Hazlitt borrowed Bastiat's trenchant "Broken Window Fallacy" and went on to demonstrate how it applies to a wide variety of economic falsehoods.

Frank A. Fetter (1863-1949) was born in Peru, Indiana to a Quaker family during the height of the American Civil War. Fetter proved an able student as a youth, as demonstrated by his acceptance to Indiana University in 1879 when he was only sixteen years old. Fetter was on track to graduate with the class of 1883, but left college to run his family's bookstore upon news of his father's declining health. Working in the bookstore offered an opportunity for the young man to acquaint himself with some of the economic ideas that would later prove formative. Chief among the intellectual influences Fetter encountered at this time was Henry George's Progress and Poverty (1879). Fetter earned his Ph.D. in 1894 from the University of Halle in Germany, where he wrote his doctoral dissertation, a critique of Malthusian population theory. After earning his doctoral degree, Fetter accepted an instructorship at Cornell, but quickly left after being offered a position as a professor at Indiana University. In 1898, Stanford University lured him away from Indiana, but Fetter resigned from Stanford three years later over a dispute regarding academic freedom. After leaving Stanford in 1901, Fetter went back to

Cornell, where he remained for ten years. In 1911, he again found himself in professional transition, accepting the position of chairman in an interdisciplinary department at Princeton University which incorporated history, politics, and economics. Fetter was the first chairman of Princeton University's Department of Economics and Social institutions. Despite his ideological proximity and personal rapport with eminent Austrian School economists such as Eugen von Böhm-Bawerk and Friedrich von Wieser, as well as his favorable reviews of works by Ludwig von Mises and F.A. Hayek, Fetter referred to himself, Thorstein Veblen, and Herbert J. Davenport more specifically as being members of the "American Psychological School." The appellation "Psychological School" is now generally considered to be synonymous with "Austrian School." Fetter was a staunch opponent of Franklin D. Roosevelt's plan to end the gold standard and worked with other economists in lobbying against the move to a fiat currency. As some indication of Fetter's role in these efforts, in January 1933, a letter was sent to the president-elect, urging him not only to lower tariff barriers to revive international trade, but to maintain the gold standard "unflinchingly." The letter was signed by a number of prominent "traditional" economists, headed by the American "Austrian," Frank A. Fetter, of Princeton. Fetter participated in a notable debate with English economist Alfred Marshall, both through his 1904 Principles of Economics and a number of journal articles in the American Economic Association's journals and in the Quarterly Journal of Economics. He contested Marshall's position that land is theoretically distinct from capital. Fetter argued that such a distinction was impractical, stating that, The notion that it is a simple matter to distinguish between the yield of natural agents and that of improvements is fanciful and confusing.... The objective classification of land and capital as natural and artificial agents is a task that always must transcend the human power of discrimination. Fetter believed in the subjective theory of value, and thus supported a pure time preference theory of interest. In "Interest Theories, Old and New" (1914), he criticized Irving Fisher for abandoning the pure time-preference theory of interest that Fisher had earlier espoused in his 1907 book, The Rate of Interest, a tome which had heavily influenced Fetter. Fetter's treatise, Principles of Economics (1904), has been described by Herbener as "unsurpassed until Ludwig von Mises's treatise of 1940, Nationaloekonomie." In Rothbard's preface to the 1977 edition of Fetter's Capital, Interest, and Rent, he notes that he was first introduced to Fetter's work via a citation in Mises' Human Action and describes Fetter's views on interest and rent as being "Austrian" and influential on his own views.

F. A. Hayek (1899 – 1992) is undoubtedly the most eminent of the modern Austrian economists. He was born in Vienna, then capital of the Austro-Hungarian Empire, the son of a doctor in the municipal health service. He lived in the United States from 1950 to 1962 and then mostly in Germany, although briefly in Austria as well. It was during this time that The Road to Serfdom was written. Hayek was concerned about the general view in Britain's academia that Fascism was a capitalist reaction against socialism. The book was favourably reviewed by George Orwell among others. When it was published in the United States by the University of Chicago in September of that year, it achieved greater popularity than in Britain. The American magazine Reader's Digest also published an abridged version in April 1945, enabling The Road to Serfdom to reach a far wider audience than academics. In 1974, he shared the Nobel Memorial Prize in Economics, causing a revival of interest in the Austrian school of economics. Hayek was one of the leading academic critics of collectivism in the 20th century. Hayek believed that all forms of collectivism (even those theoretically based on voluntary cooperation) could only be maintained by a central authority of some kind. In his popular book, The Road to Serfdom (1944) and in subsequent works, Hayek claimed that socialism required central economic planning and that such planning in turn had a risk of leading towards totalitarianism, because the central authority would have to be endowed with powers that would have an impact on social life as well, and because the knowledge required for central planning is inherently decentralized. Building on the earlier work of Mises and others, Hayek also argued that while, in centrally planned economies, an individual or a select group of individuals must determine the distribution of resources, these planners will never have enough information to carry out this allocation reliably. The efficient exchange and use of resources, Hayek claimed, can be maintained only through the price mechanism in free markets (see economic calculation problem). In The Use of Knowledge in Society (1945), Hayek argued that the price mechanism serves to share and synchronize local and personal knowledge, allowing society's members to achieve diverse, complicated ends through a principle of spontaneous self-organization. He used the term catallaxy to describe a "self-organizing system of voluntary co-operation." In Hayek's view, the central role of the state should be to maintain the rule of law, with as little arbitrary intervention as possible. Hayek viewed the free price system, not as a conscious invention (that which is intentionally designed by man), but as spontaneous order, or what is referred to as "that which is the result of human action but not of human design". Thus, Hayek put the price mechanism on the same level as, for example, language. Such thinking led him to speculate on how the human brain could accommodate this evolved behavior. In The Sensory Order (1952), he proposed, independently of Donald Hebb, the connectionist hypothesis that forms the basis of the technology of neural networks and of much of modern neurophysiology. Hayek attributed the birth of civilization to private property in his book The Fatal Conceit (1988). He explained that price signals are the only means of enabling each economic decision maker to communicate tacit knowledge or dispersed knowledge to each other, in order to solve the economic calculation problem. Capital, money, and the business cycle are prominent topics in Hayek's early contributions to economics. Mises had earlier explained monetary and banking theory in his Theory of Money and Credit (1912), applying the marginal utility principle to the value of money and then proposing a new theory of industrial fluctuations based on the concepts of the British Currency School and the ideas of the Swedish economist Knut Wicksell. Hayek used this body of work as a starting point for his own interpretation of the business cycle, which defended what later became known as the "Austrian Theory of the Business Cycle". In his Prices and Production (1931) and The Pure Theory of Capital (1941), he explained the origin of the business cycle in terms of central bank credit expansion and its transmission over time in terms of capital misallocation caused by artificially low interest rates. In his essay The Use of Knowledge in Society, he argued that monopolistic governmental agency like central bank can neither possess the relevant information which should govern supply of money, nor have the ability to use it correctly.

Murray Newton Rothbard (1926 – 1995) was an American intellectual, author and economist of the Austrian School who helped define modern libertarianism and popularized a form of free-market anarchism he termed "anarcho-capitalism". Building on the Austrian School's concept of spontaneous order in markets, support for a free market in money production and condemnation of central planning, Rothbard sought to minimize coercive government control of the economy and considered the monopoly force of government the greatest danger to liberty and the long-term wellbeing of the populace. Rothbard concluded that taxation represents theft on a grand scale, and "a compulsory monopoly of force" prohibiting the voluntary procurement of defense and judicial services. He also considered central banking and fractional reserve banking under a fiat money system a form of institutionalized, legalized financial fraud, antithetical to libertarian principles and ethics. Rothbard opposed the aggressive foreign policy of the rising American empire and, pending dissolution of the state, called for military isolationism and non-intervention in foreign affairs. He strongly advocated a voluntary, nongovernmental gold standard and the benefits of full reserve banking. He believed fractional reserve banking to be a form of embezzlement and therefore inherently fraudulent. However, also believing it was impractical to prevent, he argued that banks should be allowed to engage in fractional reserve banking in a free banking system: "Given this dismal monetary and banking situation, given a 39:1 pyramiding of checkable deposits and currency on top of gold, given a Fed unchecked and out of control, given a world of fiat moneys, how can we possibly return to a sound noninflationary market money? The objectives, after the discussion in this work, should be clear: (a) to return to a gold standard, a commodity standard unhampered by government intervention; (b) to abolish the Federal Reserve System and return to a system of free and competitive banking; (c) to separate the government from money; and (d) either to enforce 100 percent reserve banking on the commercial banks, or at least to arrive at a system where any bank, at the slightest hint of nonpayment of its demand liabilities, is forced quickly into bankruptcy and liquidation. While the outlawing of fractional reserve as fraud would be preferable if it could be enforced, the problems of enforcement, especially where banks can continually innovate in forms of credit, make free banking an attractive alternative.

Lawrence H. White is a proponent of free-banking and the F.A. Hayek Professor of Economic History with the University of Missouri–St. Louis Economics department. He has held this position since August 2000 and teaches classes on American Economic History, Monetary Theory, and Money and Banking. Before coming to UMSL He held positions as Assistant Professor at New York University and Associate Professor at The University of Georgia in Athens, Georgia. He is noted for contributing to the body of thought known as the Austrian School. He has analyzed the theory and history of Free Banking, a system of monetary laissez faire. Dr. White's account of competitive currency issue in Scotland details history's best case for why there should be private issue of currency. The successful history of the Scottish system contradicts the presumption that banking regulation should be considered a public good. White's analysis implies that modern banking systems could function without a central bank, for example the Federal Reserve system of the United States.

George A. Selgin is a professor of Economics in the College of Business and Economics in West Virginia University where he holds the BB&T Chair in Free Market Thought. Selgin formerly taught at the University of Georgia, George Mason University, and the University of Hong Kong. His principal research areas are monetary and banking theory, monetary history, and macroeconomics. Selgin is known for his research in the private issue of coinage. This belongs to the free banking and Austrian School of economics. He has co-authored with Lawrence H. White on the subject of Free Banking. Dr. Selgin's work in this area has been applied to the idea of currency dollarization and private competition for note issue in dollarized countries.

Antal E. Fekete (b: 1932), professor of Mathematics and Statistics, Memorial University of Newfoundland, is a proponent of the gold standard and critic of the current monetary system. His theories fall into the school of economic thought led by Carl Menger. His support of the gold standard has similarities to Austrian Economics; however, Fekete's treatment of fractional-reserve banking is different from that of Murray Rothbard.was born in Budapest, Hungary and graduated from the Eötvös Loránd University of Budapest in mathematics in 1955. He left Hungary in 1956. He immigrated to Canada and was appointed Assistant Professor at the Memorial University of Newfoundland in 1958. In 1993, after 35 years' of service he retired with the rank of Full Professor. During this period he also had tours of duty as visiting professor at Columbia University in the City of New York (1961), Trinity College, Dublin, Ireland (1964), Acadia University, Wolfville, Nova Scotia (1970), Princeton University, Princeton, New Jersey (1974). After retirement from active duties in 1995 Professor Fekete was Resident Fellow at the Foundation for Economic Education in Irvington-on-Hudson, New York. Following that he taught Austrian economics as Visiting Professor at the Francisco Marroquín University in Guatemala City in 1996. The same year he won the first prize of the essay competition of Bank Lips, Switzerland, with his entry Wither Gold ? In 2001 he was appointed Consulting Professor at Sapientia University in Cluj-Napoca , Romania. Since 2005 he has been Professor at Large of Intermountain Institute for Science and Applied Mathematics (IISAM), Missoula, Montana. On 1 July 2008, Professor Fekete announced that, due to funding constraints, his Gold Standard University Live lecture series will cease at the end of 2008. Professor Fekete is a protagonist of the Real bills doctrine also going by the name of Quality Theory of Money. Conceived by Adam Smith, the Real Bills Doctrine is relevant to the world economy in the 21st century. Professor Fekete's position can be summed up as follows : self-liquidating short-dated commercial paper on goods in most urgent demand by consumers will be indispensable in order to restore monetary stability in the world after a possible collapse of the regime of irredeemable currency. The solution is a worldwide gold coin standard cum real bills. Redeemable currency must flow and ebb together with the production of consumer goods moving to the market apace. Without real bills financing the economy would lack much-needed elasticity, and trade may even seize up causing depressions. Real bills would spring up and start circulating spontaneously. Banks would wither away as they could no longer trust each other's promises, and no one would trust their promise to pay gold. Real bill circulation would overtake banking. However, present economic thinking, epitomized by J.M. Keynes, criticized the gold standard for being the cause of the depression. Real Bills (those maturing into gold coin held by the final consumer) were suppressed by legislation, mainly in 1909 in France and Germany, obliging their civil servants to accept paper money in lieu of the gold coin of the realm as well as by the advent of World War I, destroying whatever trust was left between merchants worldwide. The worldwide gold coin standard would seriously reduce government sizes and their ability to run large deficits.

Source notes: Free-market thinker bios condensed from Wikipedia profiles.

http://en.wikipedia.org/wiki/Thomas_Aquinas

http://en.wikipedia.org/wiki/Scholastics

http://en.wikipedia.org/wiki/Richard_Cantillon

http://en.wikipedia.org/wiki/Anne_Robert_Jacques_Turgot

http://en.wikipedia.org/wiki/Physiocrats

http://en.wikipedia.org/wiki/Adam_Smith

http://en.wikipedia.org/wiki/Jean_Baptiste_Say

http://en.wikipedia.org/wiki/Carl_Menger

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http://en.wikipedia.org/wiki/Ludwig_Heinrich_Edler_von_Mises

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