Lecture I

An Outline-Summary of the Proof of the Quantity Theory of Money and of the Government's Responsibility for Inflation

1. Formula for the General Level of Consumer Prices:

$$P = \frac{D}{S}, \text{ where}$$

P is the general level of consumer prices,

D is the aggregate demand for consumers' goods, as manifested in a definite total expenditure of money to buy consumers' goods, and

S is the aggregate supply of consumers' goods, as manifested in a definite total quantity of consumers' goods sold.

2. By the nature of the formula. the price level can rise only by virtue of more *D* or less *S*.

3. Reductions in supply must be ruled out as a cause of inflation because:

a. Supply has actually increased.

b. Even where supply has decreased, the overwhelmingly greater part of the rise in the price level has been the result of more demand.

c. Reductions in supply could only explain a sustained significant rise in prices if material civilization were in the process of speedily disappearing, which it isn't.

d. A decrease in supply is often itself merely an indirect consequence of a rapidly rising aggregate demand, rather than being an initiating cause of rising prices.

e. Decreases in supply do not produce the range of price increases people associate with inflation.

f. Decreases in supply do not produce the effects on the relations between debtors and creditors that people associate with inflation.

g. To say that decreases in supply cause inflation is to imply that increases in supply cause deflation and, therefore, depression and poverty. This is a self-contradiction because more supply causes prosperity, not poverty.

4. The problem of inflation is exclusively one of rising aggregate demand.

5. A rise in aggregate demand is the result of an increase in the quantity of money.

6. Without government interference, money would consist of gold and silver and could not increase rapidly enough to raise prices.

7. The government is responsible for the rapid increase in the money supply.

    a. Fiat currency.

    b. The deposit liabilities of the Federal Reserve System.

    c. The government and the banking system.

Table 1

U.S. Money Supply in Selected Years 1929-1975

YEAR	MONEY SUPPLY ("M_1") (in billions)
1929	$26.2
1933	19.2
1939	36.2
1945	102.3
1950	117.7
1955	138.2
1960	144.6
1965	167.4
1970	214.6
1975	295.0

Source: *Federal Reserve Bulletin,* June 1959. June 1961, June 1966, June 1971. December 1975.

Lecture II
Outline-Summary

1. The "cost-push" doctrine: the attempt to blame rising prices on rising costs of production. Variants of the cost-push doctrine: "wage-push," "profit-push," "crisis-push."

2. The roots of the cost-push doctrine: the belief that more demand causes more production and supply and can only raise prices at the point of full employment ("demand-pull inflation"). The belief that in the absence of full employment another explanation of rising prices must be found. Rising costs selected as explanation because in first instance costs often do determine prices.

3. The logical deficiency of the cost-push doctrine: explaining prices on the basis of costs means explaining them on the basis of other prices, and ultimately on the basis of arbitrary power.

4. The cost-push doctrine is equivalent to blaming inflation on falling supply. All the objections raised against falling supply as an explanation of inflation apply to it.

5. Critique of the wage-push variant:

a. If demand did not rise, "wage push" would burn itself out in mounting unemployment. The total cumulative effect of wage-push would be limited and probably could not stop prices from actually falling.

b. Wage-push is a continuing phenomenon only because of government decisions to increase the money supply and expand demand in an effort to avoid or fight unemployment. Wage-push is thus actually a consequence of an expanding quantity of money and more demand.

6. Critique of the profit-push doctrine:

a. Even a protected legal monopolist can only raise his price if the demand for his product is growing, In order to be associated with a problem of inflation, the growth in demand for the monopolist's product must be part of a growth in economy-wide demand.

b. The actual effect of the profit motive is to expand production and thus reduce prices.

c. Inflation is associated with high profits. This is because an expanding money supply and demand expand sales revenues. The increase in profits is purely in terms of paper money and is usually accompanied by a decline in real profits.

d. Distortions of oil company profits by the press.

7. Critique of the crisis-push doctrine.

Lecture III Outline-Summary

1. Velocity of Circulation = $\frac{\mathit{AggregateDemand}}{\mathit{MoneySupply}}$,

or, algebraically,

$$V = \frac{D}{M}$$

2.

Table 2

Money Supply, Consumer Demand (gnp) and Velocity of Circulation in the United States, Selected Years 1929-1975

Year	(1) Money Supply (in Billions)	(2) Consumer Demand (gnp) (in billions)	(3) Velocity of Circulation (Ratio of Consumer Demand to Money Supply)
1929	$26.2	$103.1	3.9
1933	19.2	55.6	2.9
1939	36.2	90.5	2.5
1945	102.3	211.9	2.1
1950	117.7	284.8	2.4
1955	138.2	398.0	2.9
1960	144.6	503.7	3.5
1965	167.4	681.2	4.1
1970	214.6	976.4	4.5
1975	295.0	1,500.0*	5.1

Sources for gnp data: *The National Income and Product Accounts of the United States 1929-1965* (Washington, D. C.: United States Department of Commerce, 1966), pp. 2f.; Survey of Current Business, July 1972, p 7; Federal Reserve Bulletin, December 1975 p. A54.

3. Money Supply x Velocity of Circulation = Aggregate Demand,

or, algebraically,

$$MV = D.$$

1. The "velocity" doctrine: the attempt to blame increases in demand on a more rapid spending of money rather than a larger quantity of money

2. Velocity not an entity or cause of anything Reflects desire to hold money in reserve

3. Critique of the velocity doctrine: four ways that a larger quantity of money is responsible for a higher velocity of money by reducing the desire to hold money

   a. The anticipation of higher prices

   b. The ability to substitute other assets for cash holdings

   c. The effect of more money on the availability of credit

   d. The effect of more money on the rate of interest

4. Explanation of fall in velocity in the 'thirties and World War II and its subsequent rise

5. Critique of the inflation psychology doctrine, the credit-card, installment credit, and consumer "greed" doctrines Demonstration that all of them confirm the quantity theory.

6. Demonstration that the rate of profit on capital invested tends to be uniform in all branches of industry the uniformity-of-profit principle

7. Consequences of the uniformity-of-profit principle.

   a. The harmonious balancing of the different branches of industry incentives and means for the counteraction, delimitation, and prevention of mistakes in production.

   b. The power of consumers to shift the course of production

   c. The need of businessmen to introduce continuous improvements in production ahead of others in order to earn an above average rate of profit How the concern with profits expands production in the economy.

8. Application of uniformity-of-profit principle to the repeal of farm subsidies, rent control, and the controls on oil and natural gas.

Lecture IV: Outline-Summary

1. The metaphysical foundations of continuous economic progress: why there is no problem of a scarcity of natural resources. Why production necessarily improves the environment. The wastes of "recycling." The economies of modern packaging.

2. The tendency toward a uniform price for the same good throughout the world. Why local crop failures do not cause famines in a free market. How a free market would have responded to the Arab oil embargo.

3. More on the embargo: If the United States had had a free market, the embargo would have benefitted the American oil industry at the expense of the Arab oil industry and would quickly have been abandoned.

4. The tendency toward the equalization of the price of a good in the present with its expected price in the future. Commodity speculation. How a free market minimizes the impact of scarcities over time. Rebuttal of the accusation that large supplies of oil in the hands of the oil companies proves that the oil crisis was "manufactured by the oil companies."

5. The tendency toward a uniformity of wage rates for labor of the same degree of ability. Corollary tendency toward unequal wage rates for labor of different degrees of ability. Premiums and discounts in wages accompanying non-monetary disadvantages and advantages of employment. Consumer control over the relative size of the various occupations. Seeking the highest paying job means trying to do what the consumers most want you to do.

6. The tendency for prices of products to be governed by their costs of production. Indirect determination by cost through variations in supply. Direct determination by cost through the decisions of sellers in setting their prices: the need to hold down the profits of competitors and potential competitors. Analysis of cost of production into prices times quantities of factors of production. Prices of factors of production largely determined by supply and demand—e. g., wage rates. Role of supply and demand becomes cumulatively greater, the further back in production process one goes—e. g., autos to steel-making to iron mining. Explanation of costs, therefore, ultimately depends on supply and demand in markets for labor and other factors of production.

Lecture V - Outline-Summary

1. A "catalog" of goods and services in limited supply.

2. The prices of goods and services in limited supply are determined by the quantity of money and by the value judgements of the consumers with respect to the various goods and services on which they spend the quantity of money. The quantity of money determines the absolute height of all prices, and the value judgements of the consumers determine their relative heights.

> Under this head, the value judgements of the consumers determine the relative incomes of the different kinds of workers. e.g., the incomes of skilled workers in relation to those of unskilled workers.

3. The prices of goods and services in limited supply are set high enough in a free market to level down the quantity demanded —i.e., the quantity buyers are seeking to buy—to or below equality with the supply available. Consequently, shortages even of these goods and services are impossible in a free market.

4. The setting of prices at this height is to the self-interest of buyers as well as sellers, and of poor buyers as well as rich buyers.

5. In a free market, goods and services in limited supply are distributed to consumers in accordance with a combination of their wealth and income and needs and desires.

6. The prices of factors of production in limited supply have the same characteristics and the same significance as the prices of consumers' goods in limited supply, as described under points 3, 4, and 5, above. (Factors of production, incidentally, are labor, materials, and machinery bought for business purposes, i.e., for the purpose of earning profits through subsequent sales.)

7. In addition, factors of production in limited supply have an added dimension of "distribution" : Namely, they are distributed to different concrete uses or employments. E.g., wheat is distributed to the production of bread, crackers, etc. This kind cf distribution, of a factor of production among its various products, takes place through a process of the different needs, desires, ar.d purposes of the same individual consumers bidding against each other.

Lecture V

8. In a free market, factors of the production in limited supply are distributed to their most important employments.

9. The concept "most important employments is a variable range determined by the supply of the factor.

10. Prices of factors in limited supply are determined with respect to their "marginal" employments—that is, the least important of their most important employments. Consequently prices determined by cost of production are determined with respect to the marginal employments of the factors of production.

11. All prices of goods and services in limited supply are determined by the consumers' value judgements with respect to marginal quantities, e.g., rental space.

12. More on the rationality and efficiency Of the free market in responding to changes in economic conditions. In a free market, every change in the demand or supply of any factor of production is dealt with in a way that maximizes gains and minimizes losses: Factors of production in reduced demand or additional supply are channelled to the most important of their previously sub-marginal employments. Factors of production in additional demand or reduced supply are taken from the least important of their previous employments.

13. Application of (12) to the Arab oil embargo.

14. More on the harmonious integration of all production and consumption in a free markets The significance of using lower priced factors in place of higher priced factors. The significance of cost calculations. What the prices Or consumers' goods reflect.

15. Application of (14) to the Arab oil embargo.

16. A brief summary of the free market.

Lecture VI-Outline Summary

1. Price Controls and Shortages. The meaning of a "shortage." The distinction between shortages and scarcities. Why only price controls can cause shortages. Scarcities do not cause shortages, but shortages cause scarcities. How price controls create shortages by expanding the quantity of a good demanded and reducing the amount of it supplied. Five ways that price controls reduce supply: a. Making the production of a product unprofitable: the examples of oil and rent control. b. Making a local market uncompetitive: application to the surge in the price of wheat and soybeans in 1972 and 1973. c. Making the consumption of a commodity too rapid and thus reducing future supply. d. Making an occupation or industry unable to compete for labor. e. Making some products of a factor of production unable to compete with its other products. Price controls on monopolies: this case no exception, but at present a leading illustration of the effects of price controls. The coming destruction of the electric utilities and phone service along with the railroad network and the oil and natural gas industries. How to stop the destruction.

2. Ignorance and Evasions Concerning the Connection Between Price Controls and Shortages: The vacancy rate as a criterion for the repeal of rent control. Effects of inflation on the nominal rate of profit. The role of envy and resentment. The harmony of interest between consumer and producer: Why consumers should want producers to be rich; the absurdity of consumers attacking the wealth of their suppliers. The accusation that the oil companies caused the oil shortage: the implied absurdity that the oil companies charged too low a price for their oil. Six ways that the U.S. government and the ecology movement have restricted the supply of oil. Three ways that they have raised the demand for oil over and above inflation. The responsibility of the U.S. government and the ecology movement for the success of the Arab cartel. How the oil companies' profit motive is tied to expanding the supply of oil and reducing its price. The oil shortage. the Alaskan pipeline, and the independent service stations: a refutation of some further myths.

3. The Effects of Price Controls and Shortages: Introduction: How price controls are equivalent to a prohibition of production. Something to tell tenants and other consumers to make them oppose controls.

4. The Effects of Price Controls and Shortages: The Impotence of Consumers: The consumer made worse off than if he were dealing with a protected legal monopolist. Valuelessness of the consumers' business. Consumers reduced to the status of a nuisance and source of expense. Egoistic relation between buyer and seller replaced by altruistic relation. Reduction in quality and service. Hatred between buyer and seller: the examples of the gas shortage and rent control in New York City. How the repeal of rent control

would give tenants economic power over landlords and restore harmony between them.

5. Further Effects of Price Controls and Shortages: The Impetus to Higher Costs: The disappearance of low-priced models, corner cutting; more on the decline of quality. Effects of shortages on the methods of production. Declining quality as a cause of higher costs. Shortages themselves as a direct cause of higher costs. Price controls and cost-plus pricing. The administrative problem of multiple price controls for the same good, based on different costs: the case of oil prices.

1. A machine (or building or any form of fixed capital) initially costs $1,000,000 and lasts ten years.

2. Its annual depreciation, therefore, is $100,000.

	Profits Without Inflation	Profits With Inflation
Sales Revenues	$1,000,000	$2,000,000
Operating Costs	850,000	1,700,000
Gross Profit	150,000	300,000
Depreciation	100,000	100,000
Net Profit Before Taxes	50,000	200,000
Pretax Rate of Profit	10%	40%
Tax on Profit (50%)	25,000	100,000
Net Profit After Tax	25,000	100,000
Necessary Provision for Replacement of Machine at Higher Price	NONE	100,000

Outline-Summary Lecture VII

1. Chaos in the Personal Distribution of Consumers' Goods: Destruction of the free market's principle of distribution in accordance with the combination of wealth and desire; nullification of the value of higher incomes. The rule of the random and the accidental.

2. Chaos in the Geographical Distribution of Goods Among Local Markets: How shortages prevent more supply from reducing prices. Indeterminacy in geographical distribution: the case of the gasoline shortage. Why the burden of shortages is randomly distributed, with some areas suffering relatively mild shortages and other areas suffering far more severe shortages. The significance of the time of year when gasoline controls were imposed. Potentially disruptive effects of small bureaucratic adjustments in the controls

3. Chaos in the Distribution of Factors of Production Among Their Various Uses: Indeterminacy in the allocation of a factor among its various uses. The case of the oil shortage. Accidental nature of which products bear the burden of the shortage. The significance of the time of year when controls were imposed on oil. The instability cf supply under controls. The hoarding demand.

4. Shortages and the Spillover of Demand: Shortages increase the demand for other goods and,if the other goods are not controlled, cause their prices to be higher and the profitability of producing them to be greater. Implications; a. Partial price controls (i.e., controls confined to some goods only) are contrary to purpose. b. Partial price controls cannot hold down the general price level. c. Partial price controls do not save people money in the aggregate. The bizarre sense in which they do "save people money." How partial controls raise the general price level. Why repeal of partial controls reduces the general price level.

5. Application of (4.) to Rent Controls. Present rent controls apply to only part of housing market. Consequences of a fully controlled housing market: compulsory assignment of boarders to private homes and restriction of the internal freedom of migration; the case of the communist countries. Effects of partial rent controls on the housing subjected to them. How partial rent controls raise rents on the uncontrolled housing supply. How partial controls raise the costs of providing new housing. Why the "luxury" housing of recent decades is inferior to earlier housing. The case for the immediate repeal of rent control: the unrecognized victims of rent control; why repeal on net balance would alleviate hardship even in the short run. Why there are no beneficiaries of rent control in the long run.

6. Application of (4.) to the Present Price Controls on Domestically Produced Oil. How repeal of these controls would enable American oil companies to sell at higher prices and simultaneously reduce the prices received by the Arabs. How the 94th Congress has aided the Arab oil industry at the expense of our oil industry. How the present controls imply a progressively more severe control over oil prices as time goes on. Implications for the domestic petroleum industry.

7. The Tendency Toward Universal Controls: Why partial price controls must be extended to the prices that constitute costs, to prices of alternative products of the same factors of production, to all employments of the same labor, and, finally, to all remaining prices in the economic system.

8. Excess Demand Under Universal Controls: The compounding of the excess demand for each good by the unsatisfied demand for all other goods; how the shortage of each good reflects the sum of the shortages of all other goods. Shortages in Soviet Russia. How excess demand exists even though incomes are controlled; the buildup of surplus unspendable income resulting from the government's injection of new money. Why controls do not produce their full effects immediately.

Lecture VIII — Outline-Summary

1. Universal Price Controls and the Destruction of Production Through Shortages: A review of nine ways that shortages destroy production. Intensification of the problems of a controlled industry resulting from the existence of universal controls. A new dimension of chaos: the shortage of capital and labor. Total chaos in production: the expansion of any product at the expense of any other product, irrespective of the will of the consumers. How production declines in such conditions: a. The reduced benefit from production caused by disproportions among the different kinds of consumers' goods; this equivalent to less production. b. The reduced ability to produce resulting from disproportions in the individual kinds of capital goods; cumulative self-reinforcing process of less production, less capital goods, less production. c. The labor shortage: the excess demand for labor and the falling supply of labor; cumulative, self-reinforcing process of shortages of consumers' goods, reduced supply of labor in response, and then worse shortages of consumers' goods.

The prosperity delusion of price controls. Mistaken belief that World War II was a period of prosperity.

2. The Government's Response to the Chaos It Causes Through Price Controls: De Facto Socialism. The government's seizure of production and distribution: It decides what and how much of each product to be produced, where, and by what methods, and to whom to be distributed, In conjunction with price controls, this represents total usurpation of powers of ownership. Hence, the government now the real owner.

Why Nazi Germany was a socialist country and why the Nazis were right to call themselves "national socialists." Why Britain, Israel, and Sweden, however, are not in fact socialist countries, but simply "mixed economies."

3. Introduction to Socialism: Government ownership of the means of production the essential feature of socialism . Socialism the same whether government ownership arrived at through price controls or open nationalization, through peaceful means or forcible means.

4. The Essential Economic Identity Between Price Controls and Socialism: Price controls and socialism essentially the same economically because both destroy the same thing: viz ., private property rights and its offshoots the profit motive and the price system. Private property rights and the profit motive are the foundation and driving force of the price system and all of its laws. Their destruction, whether by price controls or by socialism, destroys the one and only source of economic order and harmony in the world and therefore results in chaos. Socialism does not go beyond destroying the system based on private ownership. It is simply an act of destruction, not a positive economic system.

5. The Myth of Socialist Planning:
a. Economic planning under capitalism—an omnipresent phenomenon that has been ignored. Examples of capitalist economic planning. Capitalist economic planning and prices. Prices and economic calculation. Economic calculation as a standard for action. Prices and economic coordination: The harmoniously integrated planning of the capitalist system by tens of millions of separate, independent planners.

b. Socialism's destruction of the price system destroys the possibility of economic calculation, economic coordination, and, therefore, rational economic planning. Rational planning under socialism would require the planning of the economic system as an indivisible whole—i.e., with no division of the intellectual labor involved in planning. Each planner, or the planner, would have to be able to see the production of each good in all of its relations to the production of all other goods. This is impossible because it would require a mind able to hold and use all the knowledge that only millions can hold and use—i.e., an omniscient deity.

c. In reality, socialism can never have a rationally integrated plan for the entire economic system. In reality, it is characterized by separate ministries and even factories all planning independently of each other, and at cross purposes. The discoordinated plans of socialism make their mutual execution impossible. Planning under socialism is also made impossible because each industry is dependent on disinterested monopoly suppliers. Socialism not a planned economy, but an "anarchy of production"—a true one.

d. Socialism's anarchy of production illustrated by the Russian quota system. This system encourages the maximum possible production of each good—every farm and factory encouraged to exceed its quota by as much as possible. This creates same situation as universal shortages, in that a ready and waiting employment exists in every field for a larger supply of factors of production. Lack of precision of quotas also illustrates lack of rational planning—e.g., quotas for screws in terms of mere number or weight. Chaotic consequences of such lack of precision.

e. Quota system an inevitable result of socialism's lack of ability to trace connections among industries, hence, its lack of concern with costs.

f. Socialism's anarchy of production and its shortages of labor and consumers' goods.

6. Further Economic Flaws of Socialism: The most fundamental flaw is that government's monopolization of means of production is attempt to monopolize intelligence and initiative in production. This underlies socialism's inability to plan and also its technological backwardness and the utter powerlessness of the plain citizen under socialism. Contrast between capitalism and socialism in the introduction of improvements: capitalism has initiative. incentives, and competition. Socialism lacks all three. Why socialism has no reason to maintain the standard of living inherited from capitalism, even if it had the ability. How socialism's paralysis of initiative and incentives causes death: the case of Russia today. Why the government of a socialist country is only interested in the values of its rulers. Application of this principle to technology and all production under socialism: socialism's concentration on the technology and production of weapons, spectacles, and "monuments"- its dependence on capitalist technology even for these. Socialism as the true system of the exploitation of labor and the progressive impoverishment of the workers.

Lecture IX - Outline-Summary

1. The Tyranny of Socialism

   a. The need for force or fraud to establish socialism: why the methods of the communists are necessary.

   b. The need for terror to maintain socialism: Stopping the growth of the black market; the logic under socialism of accusing black marketeers of sabotage. The impossibility of freedom of press or speech when the government owns all the presses and meeting halls and is the sole employer. Socialism as a court society. The necessity of forced labor under socialism. The rulers' dilemma of how to stay in power while promising a life of bliss and yet by the nature of socialism being unable to deliver anything but poverty and misery. Consequent need for diversions of hysterical propaganda, periodic purges, and the ruthless suppression of all criticism. From forced labor to mass murder.

<u>Recommended Readings.</u> (Note all page and chapter references are to the specific editions cited in my bibliography "A Capitalist's Library")

<u>I. The Free Market and the Price System</u>

Henry Hazlitt, <u>Economics In One Lesson</u>, chaps. 13-16, chap. 22.

Ludwig von Mises, <u>Planning for Freedom</u>, chap. 9; <u>Human Action,</u> pp. 232-356, 391-97, 587-688.

David Ricardo, <u>Principles Of Political Economy and Taxation</u>, chap. 4, chaps. 2, 3, 30.

J R McCulloch, <u>Principles of Political Economy</u>, pp. 249-274, 300-324.

J. S. Mill, <u>Principles Of Political Economy</u>, Book 3, chaps. 1-6.

<u>The Classical Economists and the Labor Theory of Value.</u> J R. McCulloch pp. 275-299; James Mill, pp. 263-269; David Ricardo, chap. 1 in its <u>entirety</u>, especially sections 4 and 5. Then read Eugen von Böhm-Bawerk, "Unresolved Contradiction in the Marxian Economic System" (also known as "Karl Marx and the Close of his System") in <u>Shorter Classics of Böhm-Bawerk</u>. Try to find a fundamental difference between the classical economists and Böhm-Bawerk. I cannot.

Eugen Böhm-Bawerk, "The Austrian Economists" and "The Ultimate Standard Of Value" in <u>Shorter Classics of Böhm-Bawerk</u>; <u>Capital and Interest</u>, vol. 2 , pp. 121-256; vol. 3, pp. 97-115. Try to find any fundamental conflict between Böhm-Bawerk's views on costs and those of J S. Mill or Ricardo. Again, I cannot.

II. Price Controls and Socialism

Henry Hazlitt, Economics in One Lesson, chaps. 16-18; Time Will Run Back.

Ludwig von Mises, Planning for Freedom, chaps. 1-3, 11-13; Human Action, pp. 758-69, pp. 716-76, pp. 689-715, pp. 804-811, pp. 833-85, pp. 72-91; Socialism, pp. 128-42, pp. 196-217, pp. 516-521 (these selections deal with the issue of economic calculation as do pp. 689-715 in Human Action), the remainder of Socialism; Bureaucracy; Theory and History, pp. 102-58

Ayn Rand, For The New Intellectual, pp. 121-137, pp. 142-242, the

remainder of this book and the remainder of Atlas Shrugged; all of Ayn Rand's other books, but especially the following selections: The Virtue of Selfishness, pp. 46-67, pp. 103-163; Capitalism: The Unknown Ideal, pp. 3-27; The New Left: The Anti-Industrial Revolution, pp. 5781, pp. 127-51

The four volumes listed in part VII of "A Capitalist's Library" under the heading "Conditions ln Soviet Russia," but especially Robert C. Kaiser, Russia, pp. 292-356; and Hedric Smith, The Russians, pp. 53-80.

A Capitalist's Library

The following is a list of books which every serious advocate of capitalism should own and study. Mastery of the full list, or even the major part of it, will qualify you as the equivalent of a Ph.D. in political economy.

I. The Writings of Ayn Rand. Miss Rand's philosophy of Objectivism provides the epistemological and moral foundations of the case for capitalism. I list her works in the order that I believe is best suited for the study of capitalism and its foundations. (Most of these works, incidentally, are available in paperback editions by Signet.)

1. Atlas Shrugged, New York: Random House, 1957.
2. For the New Intellectual, New York: Random House, 1961.
3. The Virtue of Selfishness, New York, New American Library, 1964.
4. Capitalism: The Unknown Ideal, New York: New American Library, 1965.
5. The New Left: The Anti-Industrial Revolution, New York: Signet, 1971.
6. The Fountainhead, New York: The Bobbs-Merrill Company, 1943.
7. We The Living, New York: Random House, 1959.
8. Anthem, Caldwell, Idaho: The Caxton Printers, 1953.
9. Introduction to Objectivist Epistemology, New York: The Objectivist, Inc., 1967.
10. The Romantic Manifesto, New York: The World Publishing Company, 1969.
11. The Night of January 16th, New York: The World Publishing Company, 1968.

In addition, it would be valuable to own the back copies of Miss Rand's publications The Objectivist Newsletter, The Objectivist, and The Ayn Rand Letter. These and various pamphlets by Miss Rand and other Objectivists are available from the Palo Alto Book Service, 200 California Avenue, Palo Alto, California 94306.

II. The Writings of Ludwig von Mises. Von Mises is the greatest of the economic advocates of capitalism. A thorough knowledge of his writings is essential. I list his four major treatises first, and then his more popular works. I think the best way to approach the treatises is not to begin on page one, but to simply start with whatever chapters or sections appear to be of special interest, and then, later on, read the remaining portions. The specific selections I will recommend that pertain to my lectures on inflation and price controls would make a good beginning.

12. Human Action, Third Revised Edition, Chicago: Henry Regnery Company, 1966.
13. Socialism, London, Jonathan Cape, 1969. (Available in the United States from The Foundation for Economic Education, Irvington-on-Hudson, New York 10533. The Foundation is a source of many of the works of Von Mises and other authors on this list. I will refer to it hereafter as FEE.)

Addendum: George Reisman, The Government Against the Economy, Ottawa, Illinois: Caroline House Publishers, 1979.

14. The Theory of Money and Credit, New Haven, Yale University Press, 1953; reprinted by FEE, 1971.

15. Theory and History, reprint, New Rochelle, New York: Arlington House, 1969.

16. Planning for Freedom, Third Edition, South Holland, Illinois: Libertarian Press, 1974.

17. Bureaucracy, reprint, New Rochelle, New York: Arlington House, 1969.

18. Omnipotent Government, reprint, New Rochelle, New York: Arlington House, 1969.

19. The Free and Prosperous Commonwealth, New York: D. Van Nostrand Company, 1962.

20. The Anti-Capitalistic Mentality, South Holland, Illinois: The Libertarian Press, 1972.

21. The Historical Setting of the Austrian School of Economics, New Rochelle, New York: Arlington House, 1969.

22. Epistemological Problems of Economics, New York: D. Van Nostrand Company, 1960.

23. The Ultimate Foundation of Economic Science, New York: D. Van Nostrand Company, 1962.

As their titles indicate, the last two works are specialized treatments of the epistemology of economics, rather than popular works.

III. The Economic Writings of Henry Hazlitt. Hazlitt is perhaps the greatest popularizer of economics of all time. The first two of the following works I regard as classics.

24. Economics in One Lesson, New York: Manor Books, 1962. Available from FEE.

25. Time Will Run Back (previously titled The Great Idea), New Rochelle, New York: Arlington House, 1966.

26. The Failure of the "New" Economics, New Rochelle, New York: Arlington House, 1975.

27. The Man Versus the Welfare State, New Rochelle, New York: Arlington House, 1969.

28. The Conquest of Poverty, New Rochelle, New York: Arlington House, 1973.

29. Editor, Andrew Dickson White, Fiat Money Inflation in France, Irvington-on-Hudson, New York: FEE, 1960.

30. Editor, The Critics of Keynesian Economics, New York, D. Van Nostrand Company, 1960.

IV. The Early Austrian School: Menger and Boehm-Bawerk.

31. Carl Menger, Principles of Economics, Glencoe, Illinois: The Free Press, 1950.

32. Eugen von Boehm-Bawerk, Capital and Interest, 3 volumes, Sennholz and Huncke translation, South Holland, Illinois: Libertarian Press, 1959.

33. Shorter Classics of Boehm-Bawerk, South Holland, Illinois: Libertarian Press, 1962.

V. The British Classical School. An indispensable part of any serious study of pro-capitalist economic theory is a thorough first hand knowledge of the British Classical Economists, i.e., the school principally comprising Adam Smith, David Ricardo, James Mill, John R. McCulloch, and John Stuart Mill. The ideas of these men dominated educated opinion on economic matters in the Western World in the century following 1776 (the date of the publication of The Wealth of Nations as well as of the American Revolution). This was the period in history most closely approximating capitalism, and the classical economists deserve much of the credit for it. It must be admitted that the writings of the classical economists contain a number of gross errors, disastrous formulations, and major contradictions, and that they greatly overstress some unimportant matters while neglecting others that are important. Nevertheless, the basic approach and fundamental principles set forth in these writings are correct and remain the most fully developed and coherent set of sound economic doctrines yet presented. They constitute the core around which economic science must be rebuilt. For example, the second half of Lecture III in my course, which dealt with the uniformity-of-profit principle and its consequences, was a modernization of the ideas of the classical economists carried out in the light of Von Mises' writings on profits. All of Lecture IV, with the exception of the discussion of natural resources, was little more than an exposition and application of principles already fully developed by the classical economists. Lecture V, which was based on the contributions of the Austrian School to price theory, showed at the same time how these contributions are a natural complement and extension of the body of classical theory, rather than a conflicting theory. A thorough knowledge of classical economics is essential to answering the fallacies of Keynes concerning unemployment, depressions, and government spending. It is equally necessary to answering the popular doctrines of "oligopoly" and "monopolistic competition," i.e., the notion that big business is "monopolistic" by virtue of its size.

In order to understand the classical economists, it is necessary to read all of the classical authors I have named, not just one or two. This entails a certain amount of repetition, but the repetition will serve to cement one's understanding. The two main classical economists are Smith and Ricardo, who, along with Boehm-Bawerk and Von Mises, must be ranked among the four greatest economists of all time. Ricardo, however, is especially difficult. I suggest, therefore, reading McCulloch and the two Mills before Ricardo, or giving Ricardo a second try after reading these authors.

34. Adam Smith, The Wealth of Nations, New York, The Modern Library, 1937. (Chapter III of Book II should be read with special attention.)

35. David Ricardo, Principles of Political Economy and Taxation, New York, Everyman's Edition, 1933. (Chapters XX, XXI, and section VII of Chapter I contain some of Ricardo's amazing contributions that are most useful against Keynes. An eleven-volume Works and Correspondence of David Ricardo has been published by Cambridge University Press in England. It contains all of Ricardo's writings, speeches, and correspondence with James Mill and McCulloch. I recommend it highly.)

36. James Mill Selected Economic Writings, edited by Donald Winch, Chicago: University of Chicago Press, 1966. (James Mill is usually greatly underrated. He should be credited with the best and clearest exposition of "Say's Law" extant--i.e., the demonstration of the impossibility of a general overproduction. His ideas on saving and capital are equally brilliant. See pp. 125-149 and pp. 322-338 of this volume.)

37. John R. McCulloch, Principles of Political Economy, reprinted, New York: Augustus M. Kelley, 1965. (Kelley is now located in Clifton, New Jersey.) (This is probably the simplest and best overall introduction to classical economics there is.)

38. John Stuart Mill, Principles of Political Economy, Ashley edition, reprinted, New York: Augustus M. Kelley, 1961. (As I stated in my lectures, I recommend Mill with mixed feelings because of his sympathy for socialism. Nevertheless, Mill's writings on capital, demand, value and cost and the overproduction doctrine are brilliant. These appear in Chapters III-VI of Book I and Chapters I-VI and Chapter XIV of Book III.)

Offshoots of the British Classical School.

39. Jean Baptiste Say, A Treatise on Political Economy, reprinted, New York: Augustus M. Kelley, 1971. (This was the most popular economics textbook in the United States in the three or four decades prior to the Civil War.)

40. Nassau Senior, An Outline of the Science of Political Economy, reprinted, London: George Allen and Unwin, 1938.

41. Frederic Bastiat, Economic Sophisms, New York: D. Van Nostrand, 1964. (Paperback edition available from FEE.)

42. Frederic Bastiat, Selected Essays on Political Economy, New York: D. Van Nostrand, 1964. (Paperback by FEE.)

43. Frederic Bastiat, Economic Harmonies, New York: D. Van Nostrand, 1964. (Paperback by FEE.)

44. Charles Holt Carroll, Organization of Debt into Currency, New York: D. Van Nostrand, 1964.

VI. Readings in Political Philosophy

45. John Locke, Second Treatise on Civil Government, many editions. The basic political documents of the United States should be read in conjunction with Locke--i.e., The Declaration of Independence and The Constitution.

46. Wilhelm von Humboldt, On the Sphere and Duties of Government, London, 1854.

47. Herbert Spencer, The Man Versus the State, Caldwell, Idaho: The Caxton Printers, 1969.

VII. Readings on Selected Subjects.

Conditions in Soviet Russia:

48. Robert G. Kaiser, Russia, New York: Atheneum, 1976.

49. Hedrick Smith, The Russians, New York: Quadrangle Books, 1976.

50. G. Warren Nutter, The Strange World of Ivan Ivanov, New York: The World Publishing Company, 1969.

51. Anatoly Marchenki, My Testimony, New York: E.P. Dutton & Co., 1969.

The Monopoly Myth:

52. D.T. Armentano, The Myths of Antitrust, New Rochelle, New York: Arlington House, 1972.

53. Harold Fleming, Ten Thousand Commandments: A Story of the Antitrust Laws, New York: Prentice Hall, 1951.

54. A.D. Neale, The Antitrust Laws of the United States of America: A Study of Competition Enforced by Law, Cambridge, England: Cambridge University Press, 1960.

55. John S. McGee, "Predatory Price Cutting: The Standard Oil (N.J.) Case," The Journal of Law and Economics, Vol. 1, October 1958.

56. Wayne A. Leeman, "The Limitations of Local Price Cutting as a Barrier to Entry," Journal of Political Economy, August 1956.

57. George Reisman, "Platonic Competition," The Objectivist, August and September 1968.

The Ecology Movement:

58. Melvin J. Grayson and William R. Shepard, The Disaster Lobby, Chicago Follett, 1973.

59. Petr Beckmann, Eco-Hysterics and the Technophopes, Boulder, Colorado: The Golem Press, 1973. (The author publishes an anti-ecology newsletter in Boulder called Access to Energy.)

VIII. Supplementary Readings on Money and Banking and Finance and Investments. (Useful for a knowledge of institutional conditions.)

60. Walter W. Haines, Money, Prices and Policy, latest edition, New York: McGraw Hill. (Useful for a description of the operations of the Federal Reserve System.)

61. Nadler, Shipman, and Heller, The Money Market and Its Institutions, New York. The Ronald Press Company, 1955. (Now out of print and somewhat dated. Nevertheless an excellent guide to the various institutions operating in the money market--e.g., commercial paper houses, banks, the U.S. Treasury. Clearly explains the operations of "monetary policy."

62. John H. Prime, Investment Analysis, Second Edition, Englewood-Cliffs New Jersey: Prentice-Hall, 1952. (Now out of print, but an excellent introduction to reading balance sheets and income statements, which everyone should know both for purposes of economic theory and personal investment.)

IX. Neo-Classical Economics. Some of the following works, especially those of Jevons, are valuable, though badly mixed. Others are so badly muddled as to be worthless, despite their great reputations.

In any case, an expert knowledge of economics requires familiarity with them.

63. William Stanley Jevons, Theory of Political Economy, Fourth Edition, London: Macmillan and Co., 1924. (An original discovery of the law of diminishing marginal utility. But an over-reaction to the labor theory of value held by the classical economists. Claims Ricardo "shunted economics onto the wrong track.")

64. William Stanley Jevons, The State in Relation to Labour, London: Macmillan and Co., 1882. (Philosophically corrupt--openly abandons the principle of laissez-faire and attacks arguments based on abstract principles of rights. Book is nevertheless valuable for a devastating analysis of labor unions.)

65. Leon Walras, Elements of Pure Economics, New York: Augustus M. Kelley, 1969. (Originally published in French in 1874. Contains an original discovery of the law of diminishing marginal utility roughly coinciding with its discovery by Menger and Jevons. One of the early works of mathematical economics. Helped to set the stage for severing economic theory from reality by introducing needless complications of higher mathematics.)

66. Philip H. Wickstead, The Common Sense of Political Economy, two volumes, reprinted, New York: Augustus M. Kelley, 1967. (Wickstead was the principal disciple of Jevons. Though frequently tedious, the book contains a number of interesting ideas and applications.)

67. Alfred Marshall, Principles of Economics, Eighth Edition, New York: The Macmillan Company, 1920. (An extremely diffuse, confused book, which, among other things, helped to set the stage for the theory of "pure and perfect competition" that I criticized in my article "Platonic Competition." Marshall was the teacher of Keynes.)

67. John Bates Clark, The Distribution of Wealth, New York, Macmillan, 1938. (Contains the original exposition of the theory of diminishing marginal productivity, which it propounds far more cogently than the textbooks. Nevertheless, the basic argument is weak and its exposure is then used to discredit capitalism.)

69. Frank H. Knight, Risk, Uncertainty, and Profit, Boston, 1921. (This work is another major source of the pure and perfect competition doctrine.)

70. Irving Fisher, The Rate of Interest, New York, 1907, and The Theory of Interest, reprinted, New York: Augustus M. Kelley, 1954. (Fisher advances a host of wrong or confused ideas about profit and interest that helped to pave the way for Keynes.)

X. The Enemies of Capitalism. I include the most important works in this group because an advocate of capitalism should have a first hand knowledge of the ideas of its enemies.

71. Karl Marx, The Communist Manifesto, Chicago: Henry Regnery Co., 1954.

72. Karl Marx, Das Kapital, Vol. I, New York: The Modern Library, 1937.

73. J.M. Keynes, The General Theory of Employment Interest and Money, New York, Harcourt Brace, 1936.

74. Paul Samuelson, Economics, latest edition, Englewood-Cliffs, New Jersey. (Samuelson is one of Keynes' leading disciples. His book is also filled with almost every other argument against capitalism that has ever been raised. Almost any other popular contemporary textbook of economics could be used in place of Samuelson.)

75. Joseph P. McKenna, Aggregate Economic Analysis, Fourth Edition, Hinsdale, Illinois: Dryden Press, 1972. (A comparatively clear exposition of the essential ideas of Keynes. The first or second edition is preferable because of greater simplicity.)

76. Joan Robinson, The Economics of Imperfect Competition, London: Macmillan and Co., 1933. (Mrs. Robinson is one of Britain's leading pro-Marxists and is an originator of the oligopoly doctrine.)

77. Edward Chamberlin, Theory of Monopolistic Competition, Sixth Edition, Cambridge, Mass.: Harvard University Press, 1950. (A second source of the oligopogy doctrine.)

78. Benjamin E. Lippencott, editor, On the Economic Theory of Socialism, Minneapolis: University of Minnesota Press, 1938. (Contains the attempts of Lange and Taylor to overturn Von Mises' proof that economic calculation under socialism is impossible.)

79. John Kenneth Galbraith, The Affluent Society, Boston: Houghton Mifflin, 1958. (This book is included only because of its popularity and Galbraith's continuing influence. It is one of the least intellectually significant attacks on capitalism I know of. See my review, The Revolt Against Affluence: Galbraith's Neo-Feudalism, available from the Palo Alto Book Service.)

XI. A Final Word on Readings. My list has omitted the names of such eminent economists as Wicksell Fetter, Edgeworth, and Pareto, and even men of far greater stature such as Adam Smith's predecessors Quesnay, Dupont, and Turgot, i.e., the French Physiocrats. The interested student will come across many references to these men as he reads the works I have recommended. For the purpose of fully rounding out one's knowledge, it will probably pay at some point to read a history of economic thought. The best procedure is to read the great economists themselves on their predecessors--for example, Adam Smith on the Physiocrats and the Mercantilists, in The Wealth of Nations. However, if one feels the need for a history of economic thought then I recommend the only one I ever found worthwhile, which I used shortly after beginning my study of economics and primarily for the purpose of locating original works in favor of capitalism. This book is:

80. Frank A. Neff, Economic Doctrines, Second Edition, New York: McGraw-Hill Book Company, 1950.

A Note on Combining Self-Education with Formal Education.

Those who have not yet completed their formal education have the opportunity to use their school years to great advantage, no matter how low the quality of instruction offered at the institutions they attend. Topics for term papers and bachelor's, master's, and even doctoral theses can be selected which will require one to read books from the above list and to integrate their teachings through application. In this way, a student can actually learn something while struggling through school.

A vast number of term papers, for example, could be written under the heading: "A Political Economic Analysis of ______." And one could fill in the blank with communism, fascism, the welfare state, or any one of dozens of specifics, such as public education, social security, etc. Or consider the possibilities under the heading: "An Analysis of the Ideas of ______ From the Standpoint of Classical (Austrian) Economics," or "An Analysis of ______ From the Standpoint of Objectivist Ethical (Political) Theory." The possibilities are limitless.

No matter how biased and unjust an individual professor may be, a student should be able to write a very successful term paper or thesis. The procedure I am suggesting can be applied in virtually every course in the humanities and so-called "social sciences." In courses on economics, history, political philosophy, and "sociology" one can draw on the whole list of books. In English one has Ayn Rand's novels and writings on the philosophy of literature. In philosophy courses, one has all of the writings of Ayn Rand.

Each semester, a student should aim at writing a number of papers requiring him to read more or less extensively from the above list of books. A student just entering college might be able to arrange matters so that he completes most of the list by the time he graduates.