

THE OPTIMUM QUANTITY OF MONEY, ONCE AGAIN

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ABSTRACT. In Barnett and Block (2004) the present authors offered the thesis that the optimal amount of fiat currency was zero (it should all be replaced by gold money), but that if this was impossible, then the optimal quantity of fiat currency was whatever it was at any given time. In contrast, the optimal amount of gold money was whatever was supplied in the free enterprise system. We criticized Rothbard (1993) and Mises (1996) for taking the position that the optimal amount of gold money was whatever it was at any given time. In the present paper we elaborate upon this thesis, and respond to several critics of Barnett and Block (2004).

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1. Introduction¹

The present paper is devoted to an elaboration of Barnett and Block (2004) and a defense of this publication against its critics. Our first task is the reiteration of our initial position, which is the burden of section 2 of this paper. In Section 3 we put forth more evidence of Rothbard's misunderstanding of this issue, material not mentioned in Barnett and Block (2004). The goal of section 4 is to defend our article Barnett and Block (2004) against several possible criticisms. We conclude in section V.

2. Reiteration

Murray Rothbard and Ludwig von Mises are probably the two economists least likely to acquiesce in the notion that there is any such thing as a market failure, and thus room for government intervention to possibly improve general economic welfare. And, indeed, they, particularly Rothbard, never in any of their writings explicitly say any such thing.

However, both are on record as maintaining that any amount of gold money in existence is optimal; that is, any stock² of this valuable resource is entirely able to intermediate all the trade in which anyone in the economy might like to engage. Therefore, any increase in the stock of gold money, whether coins or bullion, would be economically inefficient, as the additional gold money would serve no useful function when, were it diverted to some non-money use; e.g., jewelry, dentistry, in fact it could serve such a purpose.

But, if so, then this would constitute a “market failure,” in that Smith’s (1776) “invisible hand,” and Hayek’s (1960, 1967, 1973) “spontaneous order” would *not* be leading to a maximization of welfare on the part of all market participants. To wit, any use of resources by gold miners and minters going about their business, attempting to maximize profits by extracting new gold and refining it for monetary purposes, would be a waste thereof and they would be guilty of misallocating resources. The labor and capital and raw materials expended upon their mining and minting activities, if spent in other directions, would have, presumably, yielded positive returns; at least, that would have been the goal. Here, they generate exactly *zero* wealth, in that the previous amount of gold money would have produced exactly as much “monetary services” as the present quantity, which includes their new additions to the money stock. And, when we incorporate into the analysis the fact that this marginal addition to the stock of money cost real resources, in terms of alternatives foregone, we cannot but arrive at the conclusion that the actions of these folk eventuated in a downright *loss* for the economy. The same would be true re any use of resources to convert extant gold from nonmonetary uses to money.

Here, then, we have an example of market failure that occurs, mirabile dictu, under the aegis of the free enterprise system. This being the case, it is entirely possible that government action could improve matters. It cannot be denied that laws, regulations, bureaucratic edicts, etc., cost real wealth. But, as long as the costs of such actions are of less value than those of the (presumed by Rothbard and Mises) misallocation of resources due to the profit seeking activities of gold miners, explorers, minters, we may well have a case, merely an economic efficiency case to be sure, for statist intervention into economic matters.

But, this is obviously wrong, despite the fact that it is Mises and Rothbard who are guilty of this error. Yes, indeed, any amount of money can serve to intermediate trade. But, this does not at all mean that a greater stock cannot do it *better* in some cases; i.e., mediate *more* voluntary exchanges. Of course, in other cases the current amount of gold money might be the optimum quantity or it may even be excessive. Only the actions of individuals in unhampered market can determine the optimal quantity of money (or anything else) in an actual historical situation.

Now, of course, Mises and Rothbard never explicitly stated that excessive gold money constitutes market failure, still less do they give their imprimatur to any notion such that the government would be justified in calling a halt to such practices. There is no doubt that both of these free market scholars would find any such initiative totally abhorrent, and inimical to the entire thrust of their scholarship. This conclusion was purely a *reductio ad absurdum*^{3,4} on our part. We (Barnett and Block, 2004) claimed not that Mises and Rothbard ever *said* any such thing, but that the laws of logic *compel* them to acquiesce in precisely this conclusion.

If *any* amount of money, X, will suffice for necessary transactions, and there is an accretion to this stock, Y, so that the monetary stock is now X+Y, where Y>0 and thus X+Y>X, then, clearly, there is now more gold money in existence than is optimal, according to both Mises and Rothbard. That being the case, and given that Y has alternative uses, it logically follows that we would all be better off, human welfare would unambiguously increase, if Y was prevented from coming into being as money in the first place. That is, there is no warrant for the extra gold, Y, to be used for *money*, when it could be utilized for industrial, dental, jewelry purposes instead, and thus benefit mankind, or perhaps not even be mined and minted in the first place. On the heroic assumption that the cost for the government to enact and enforce this regulation would be less than the cost of allowing the free market to add Y to the monetary stock, it follows that this step should take place, provided that economic welfare maximization is the goal.

3. More Evidence

Rothbard (1974, 211–213):

Money-crankism assumes (1) that more and evermore money is needed on the market.... money-crankers are simply pushing to its logical conclusion a fallacy adopted widely by pre-classical and by current Keynesian writers. The crucial point is that an increase in the supply of money does not confer any benefit whatever on society. On the contrary, it is a means of exploit-

ation of the bulk of society by the State, State-manipulated banks and their favorites. The reason is that, in contrast to potatoes or steel, an increase of which means that more goods can be consumed and more people benefited money does its full social work regardless of its quantity on the market. More money will only dilute the purchasing power, the value in exchange, of each dollar; less money will add to the value of each dollar.

David Hume, one of the greatest economists of all time, went to the heart of this question by asking what would happen if everybody magically woke up one morning with the quantity of money in his possession doubled, tripled, or whatever. It should be clear that everyone's subjective feeling of affluence would fade quickly as the new dollars bid up the prices of goods and services, until these prices have doubled or tripled, and society would be no better off than before. The same would be true if everyone's monetary assets were suddenly halved. Or we can postulate a sudden change of name from "cent" to "dollar," with all denominations increasing proportionately. Would everyone really be one hundred times better off? No; indeed the popularity of inflation through the centuries stems from the very fact that everyone is not getting his money supply doubled or quadrupled all at once. It stems from the fact that inflation of the money supply takes place a step at a time and that the first beneficiaries, the people who get the new money first, gain at the expense of the people unfortunate enough to come last in line.

All of this is of course true, provided, only, that we are talking about *fiat currency* not *gold money*. The problem is that Rothbard (1974) in the quote above *nowhere states* any such restriction. One possibility is to conclude that this is what he *meant*, despite not explicitly making this clear. But this interpretation really will not do.⁵ A careful scholar of Rothbard's caliber can be expected to clarify what he really means. And, when coupled with his oft mentioned distinction between fiat and gold money and advocacy of the latter vis-à-vis the former (Rothbard, 1990) it is even more difficult to credit this hypothesis. Further, in Barnett and Block (2004, 42) we cite Rothbard, clearly and explicitly applying his perspective to *gold money*:

Some writers have inferred from this law that *any factors devoted to gold mining are being used unproductively, because an increased supply of money does not confer a social benefit*. [Emphasis added] They deduce from this that government should restrict the amount of gold mining. These critics fail to realize, however, that gold, the money-*commodity*, is used not only as money but also for nonmonetary purposes, either in consumption or in production. Hence, an increase in the supply of gold, although conferring *no monetary* benefit...

As for David Hume, if, somehow, magically, the world's supply of *gold money* doubled, or quadrupled, we most certainly *would* be better off. Yes, some of this increase, perhaps in the form of gold coins or bullion, undoubtedly would be melted down and converted for use in dentistry, jewelry, industry, etc. But, presumably, *some* of it would remain in the money stock, thereby functioning as *money*. Yes, this philosopher's point is a valid one for *fiat* currency, but *not* for gold money. The proof? Were it not so, then *all* of the additional gold coins would be converted to these other uses; *none* of it would remain in money stock, a situation which does not *necessarily* occur. As we say in BB (2004, 50):

Thus, just as it is costly to use other valuable resources to facilitate exchanges because they have alternative uses, so also with gold used in coins as money. This gold also has alternative opportunities, and its use as a resource to facilitate exchanges is not costless. Thus, gold will be used in the free market process to facilitate exchange only if, and to the extent that, such use is relatively more valuable than its alternative nonmonetary uses.

4. Defense

In this section we mention, and reject, several criticisms of our thesis. They were suggested to us by several colleagues of ours, and we now thank them, on an anonymous basis. BB stands for Barnett and Block (2004.)

Objection 1:

BB's major premise: Any quantity of money (above a technological minimum) is optimal.

BB's minor premise: X is an optimal quantity of money

BB's conclusion: Therefore X + Y is non-optimal quantity of money.

Correct conclusion: This is a non sequitur because it does not follow from the major and minor premises as stated.

Our response:

This objection is incorrect re BB's (2004) major premise.

In fact, the correct major premise, taken directly from Mises and Rothbard, is:

The extant quantity of money is optimal. (It must be above some technological minimum to be money, so that is superfluous. Moreover, in addition to being above some technological minimum, for any commodity to be money it must be used to mediate transactions to some minimum extent. Put differently, any commodity could serve as money given a technological minimum thereof, but it would still not serve as money were it not widely used as an intermediary; but, what is “widely” in any specific historical setting?)

If anyone thinks that the correct version of our major premise is “Any quantity of money (above a technological minimum) is optimal” should read Mises statements which we cite in BB (2004): “However, the services which money renders can be neither improved nor repaired by *changing* [emphasis added] the supply of money,” and, “From the point of view of this insight one may call wasteful all expenditures incurred for *increasing* [emphasis added] the quantity of money.” That is, any quantity of money is optimal, provided it is the extant quantity. Or, Rothbard: “*One of the most important economic laws, therefore, is: ‘Every supply of money is always utilized to its maximum extent, and hence no social utility can be conferred by increasing the supply of money.’*” [Emphasis in original]

Thus we arrive at the following syllogisms.

Correct major premise: The extant quantity of money is optimal.

Minor premise: The extant quantity of money is X.

Conclusion: X is the optimal quantity of money.

That conclusion then becomes the new major premise; to wit:

Major premise: X is the optimal quantity of money.

Minor premise: There is a change in the quantity of money from X to X+Y, Y≠0

Conclusion: X+Y is a non optimal⁶ quantity of money.

Without bothering with the syllogistic form, it is obvious that if the money good has alternative uses and that, to quote Mises, “The quantity of money available in the whole economy is always sufficient to secure for everybody all that money does and can do,” then there is still an optimal quantity of money. However, it is not necessarily the extant stock; rather it is the (to use the terminology of this objection) the “technological minimum,” because to devote any more of a scarce resource beyond the technological minimum to the money use is necessarily to divert some of it from alternative uses. (This assumes that people would widely use as a medium of

exchange the technologically-minimum quantity. If people would not, for whatever reason, use that quantity, then any quantity of the commodity devoted to monetary usage above the minimum people would use would be a waste of a scarce resource.)

Consider the following quote from BB (2004, 47):

The value of the new money would arise out of the additional transactions that would be made possible by its existence. That is, there would be transactions, previously impossible⁷ to undertake because the cost of using valuable gold to mediate such was excessive, which would now be made possible⁸ because the new monetary gold reduced the value of money at the margin. There are, at any time, a variety of potential exchanges. Some of these would create a great deal of value; others only a minute amount. The value that would be created by some potential exchanges is so small that the utility of gold in facilitating such exchanges would be less than its utility in nonmonetary uses. In such cases the potential exchanges would not occur.

Thus an increase in the stock of gold used as money would reduce its value at the margin making economical some exchanges that previously were uneconomical. Or, in Coasean (1960) terms there are transactions costs to mediating exchanges with gold. If the stock of money remains constant in a growing economy, the value of monetary gold increases, thereby increasing the opportunity cost of using it to facilitate exchanges. In such a case some transactions that might have been facilitated by gold as a medium of exchange may not take place because the transactions costs involved in the use of gold therefore have become too high. Were the money stock to grow, then the transactions costs of using gold would fall and such exchanges then could take place, assuming appropriate magnitudes.

Or to put the key point differently, in a growing economy a constant stock of gold money will, at some point, become insufficient, because of the necessarily increasing value of monetary gold, to mediate *all* transactions that would, save for the increased value of monetary gold, have occurred.

Objection 2:

The logic of the first objection, *supra*, seems unassailable. Moreover, even if the utility of the money stock is the same with X or $X + Y$ units, under a gold standard the increased output of gold necessarily means some increase in nonmonetary gold, with whatever gains that entails. The only question, then, is whether the overall benefits from mining the gold compensate for the costs of doing so; and unless it can be shown that the market fails to limit

mining to situations where this is indeed the case, the “market failure” argument won’t hold up.

Suppose the gold, instead of being mined, fell from the sky like so much manna. Some goes (as it’s bound to) into monetary use. Would that constitute a “god failure”?

Our response:

First, the claims that “under a gold standard the increased output of gold necessarily means some increase in nonmonetary gold” and “Some [gold that fell from the sky] goes (as it’s bound to) into monetary use” are merely empirical in nature. There is no law of economics or human action, more broadly, that mandates any such result. Moreover, this discussion has to do with market failure; to describe an impossible occurrence (gold falling from the sky) and suggest that some supposed consequence thereof has any relevance to the discussion is risible.

Why do we insist that our paper constitutes a *reductio*, possibly against Mises, and certainly with regard to Rothbard? Suppose that there is now X amount of gold money in existence. According to Rothbard and Mises that amount, X , is optimal, in that it can fully do the “job.” But then comes a gold miner and adds Y more gold to the money stock (not “supply”). The source of such new monetary gold – whether mining, or conversion from a non-monetary use, or coming like manna – makes no difference for the logical conclusion. Either the preexisting quantity was optimal or it wasn’t. If it was, the any additions (or subtractions, for that matter) are necessarily suboptimal. If Rothbard and Mises stick to their guns, they would *have* to say that this is a market failure: if X was optimal, then $X+Y$ can’t also be optimal. Well, for these two eminent Austrians, market failure, the entire concept, is an absurdity. QED.

Objection 3:

(1) BB do not give the proper argument for their position. It is not true that if X is optimal, then Y can’t be, also. Rather, it is the case that if any old amount of gold will perform monetary services optimally, then it is wasteful for the market to devote X units to monetary purposes. Better to devote only $Y < X$ units, and free up the difference for use in dental fillings, jewelry, etc. So if the market for some reason stays put at X units held as money, then the free market is not using resources to satisfy human desires as effectively as possible.

(2) But even if this is (implicitly) Mises’s and Rothbard’s position, it still doesn’t follow that they therefore “logically” must favor government intervention. They could just say, “Well, yes, we can logically imagine a happier

world, but having politicians come storming in certainly won't improve things." Consider a different example, Mises concedes that in principle a producer on the free market could charge a monopoly price (under certain conditions) and violate consumer sovereignty. But that doesn't mean Mises endorsed anti-trust laws.

Our response:

This objection makes a splendid case that our *reductio* applies, fully, to Rothbard, but only partially, if at all, to Mises. The claim about Mises regarding monopoly theory is exactly on point.⁹ In the view of the latter, a single owner of a natural resource (such as copper, uranium, etc.) is a monopolist (not merely a single seller, as would be the proper nomenclature). This creates the familiar "dead weight loss" beloved of the neoclassical economists. So far, Mises goes along with this analysis. Mises, presumably, would not call upon the state to intervene, because to do so would be economically inefficient: the cost of government anti-trust law would be far greater than the dead weight loss as seen by the mainstream economists. However, *if*, and this is a mighty big *if*, we were to posit that the opposite would occur, namely, state action would be less severe than this "market failure," and, also, Mises were committed to maximizing human welfare (and Mises was a utilitarian), *then* he would logically have to support anti-monopoly law. Nor does this constitute any *reductio* for Mises, no anarchist he, who is also on record (Kinsella, 2009; Mises, 1978, pp. 36–39; Rothbard, 2008) in supporting a governmental role for the military, police, etc. This criticism, needless to say, does not at all apply to Rothbard, who totally rejects the notion that "monopoly" can arise under full free enterprise.

Objection 4:

Imagine we have a Barnettian-Blockian gold standard, and then suddenly gold starts raining from the sky. This causes tremendous price increases expressed in gold.

I cannot see them (Mises, Rothbard) anywhere saying that government intervention would in this case confer a social benefit.

It is perfectly reasonable for Mises to say "the services which money renders can be neither improved nor repaired by changing the supply of money," and that instead of wasting people's time to run around, struggle for the gold falling from the sky, people would employ their resources in production of real goods. Because right now they are employing their resources into fight over the *redistribution* of existing purchasing power of money (this is the whole point of Cantillon effects).

I stand in full support of Mises's conclusion on this: this extra money confers no *monetary* benefit. "Monetary" is here understood as capability to serve to the people as money. Since money services are guaranteed under any supply of money, this increase does not improve *monetary* aspects of the economy. It does not improve the *monetary price system* – that is Mises's point. It is completely true I believe.

Now, it is one thing to say *this*. It is completely another thing to say that because of *this*, we need to stop people (via government intervention) from catching this gold falling from the sky. Hence it is one thing to say that we do not like one aspect of our world, and it is completely another thing to say that we need government intervention in order to correct this defect. No logical steps can fill this gap without committing a non sequitur.

It is in this same way we handle Akerlof's (1970) lemons. Isn't it a defect of our world, that we cannot see immediately (with our eyes) which used cars are of better quality? In a way, it is a defect – I would prefer to live in a world, where people would immediately see cars' defects just as easily as they do see them in cases of rotten tomatoes. This is a "god failure" as this objection would characterize it.

But this is a defect of the world. It does not mean that we need government to solve the problem, because the government would actually make things worse (precisely because it is not a god).

I can safely say "Lack of knowledge in the case of lemons confers no social benefit." Would that justify Barnett and Block in saying "The logical conclusion of this statement is that we need government intervention to solve the problem." Of course not. In the same way I argue "from a monetary (excluded technological problems) perspective it would be better if the money supply was fixed." Gold supply can be increased – fine. I still do not think that government intervention would make things better and move us toward more optimal situation.

Suppose Hayek had said (which he would never do) in the 1930s "it would be better if Keynes was not born." Really, really, really, he would not mean "it would be better if we just kill the guy."

Nevertheless Rothbard and Mises are absolutely correct. It is a failure of this world that money supply is not fixed (excluding technological aspects). It is a failure that people will devote resources to produce gold for monetary purposes (again, excluding technological aspects). In fact it would be better if the money supply was constant. It is not – thus it is a failure of our physical world. It would really be better if there were no gold rush in XIX century, if that gold had never been discovered. If people would just devote their resources to doing something else, we would all be better off. I cannot see how one can argue otherwise (again, excluding technological aspects).

Our response:

First, there neither is, nor would be, a Barnettian/Blockian gold [monetary] *standard*, as neither of us think such standards are anything but expedients on the way to fiat paper money; rather both of us advocate plain old gold *money* sans fractional reserves.¹⁰

Second, this objection is entirely correct in maintaining that neither Mises nor Rothbard ever *said* that government intervention would in a case of “gold manna” confer a social benefit. Rather, this is the *reductio ad absurdum* we claim is a logical implication of what they *did* say.

Similarly, Coase never said it would be justified for Bill Gates to punch a bum in the nose. Yet, this is the logical implication of the Coase “theorem,” provided that Gates’ enjoyment of the punch would increase GDP more than the bum’s unhappiness at being punched would reduce it. Is the *reductio ad absurdum* no longer a legitimate form of argument?

An alternative way of looking at the matter is to consider it of the nature of Mises and Rothbard saying $2+2=4$ as well as $1+3=4$ and then stopping. We then come along and assert that it necessarily follows that $2+2=1+3$. That $2+2=4$, $1+3=4$, and thus $2+2=1+3 = 4$ is equivalent to the statement that based on the voluntary choices of human actors in the free market, the quantity of gold money increases, this is inefficient, it constitutes a market failure, and, thus, if the goal is to promote welfare (on the heroic assumption that government can improve matters by forbidding this practice), the unavoidable conclusion is that such state interference with markets is justified. This is indeed an absurdity; it would be to argue that Rothbard, the anarchist, would see benefit from intervention. However, Mises was not an anarchist; it is therefore not necessarily an absurdity for him. However, Mises was, certainly, a strong free market advocate; were he to stick to his guns on this point, as he did not for anti trust law and monopoly, then, it would be a *reductio ad absurdum* for Mises as well.

Now consider the wish that Hayek had about Keynes, courtesy of this objection, only let us change it to a wish about a different historical figure: “It would be better if Hitler¹¹ was not born.” Does this or does it not mean “it would be better if we just kill the guy?” Well, if the goal is to save an awful lot of misery and needless murders for tens of millions of people, there seems to be no great objection to the claim that, after these mass murderers did away with their very first victim, that yes, indeed, we *should* “kill the guy.”

Nor can we give any credence at all to the objection “It would really be better if there were no gold rush in the 19th century, if that gold had never been discovered. If people would just devote their resources to doing something else, we would all be better off.” This objection does not see how

one can argue otherwise, but this is not difficult at all: absent market failure,¹² the decision of some people to grab the gold manna out of the air, or to search for it in the 19th century, and then convert it into coins, must necessarily and apodictically lead to an *increase* in human welfare, because, given that the market accepts this new money for purchases, a greater money stock would have been thus demonstrated to be preferred to the old lesser amount in circulation. QED. In fact, this is but a case of the author of this objection asserting that his imaginary or hypothetical preferences¹³ are socially preferable to the actual revealed preferences of the individuals involved.

Objection 5:

Contrary to BB, Rothbard and Mises are absolutely correct. It is a failure of this world that the money supply is not fixed (excluding technological aspects). It is a failure that people will devote resources to produce gold for monetary purposes (again, excluding technological aspects). In fact it would be better if the money supply was constant. It is not – thus it is a failure of our physical world. It would really be better if there were no gold rush in the 19th century, if that gold had never been discovered. If people would just devote their resources to doing something else, we would all be better off.

Our response:

Minor difficulty. In *this* world, with its fiat currency there is simply no money *supply*; rather, there is a money *stock*.¹⁴ And now, let us consider several major difficulties.

First, note that the term “excluding technological aspects” is a very large escape clause, as it is not defined or explained. For example, one of our arguments is that if Mises and Rothbard are correct, then the *first* time in the history of any society some good came to be used as money, *any increase in its stock thereafter*, regardless of the growth in the number and value of transactions requiring mediation, is a waste of resources, a market failure. If the gold rush of the 19th century was a mistake, an error, then *any* gold discoveries, at *any* time in our history, must be characterized in the exact same manner, unless the entire increased stock were put to non-monetary uses. But such a position is obviously absurd.¹⁵ The author of this objection could argue that his “technological exclusion” escape clause vitiates our argument, but in fact it does no such thing.

Second, it is incomprehensible to say that “It is a failure of this world that the money supply is not fixed.” This flies in the face of the fundamental economic problem: scarcity. This objector would agree with us, we assume, that we live in a world of scarcity, and that the primary task of economics

is to help us understand how men act in dealing therewith. He is thus placed in the curious position of maintaining that every non-monetary good is scarce in all cases, but that the monetary good is never scarce, and can never be scarce.

Third, one might as well say that it is a failure of this world that it is earmarked with scarcity; e.g., that we really should have a superfluity of all goods and services. The world just *is*, the way it is. Nor would we be better off “if the money supply was constant.” When additions (subtractions) are made to the stock of gold money given the free enterprise system, there are good and sufficient reasons for this to be so: there is *gain* on the part of the market participants, otherwise they would scarcely act in this manner. To wit, transactions costs will properly be lowered (raised). This objection to the contrary notwithstanding, the gold rush in the 19th century was a *magnificent* economic event. The gold miners were enriched, as were those who supplied them with foodstuffs, implements, etc. And, so was the general society. Again, because of ease of transactions costs. We know the author of this objection to be a staunch free market advocate. But here, in this objection, he sounds to us more like a central planner.

5. Conclusion

We stand steadfast in support of our BB (2004). None of these critics, in our view, have so much as laid a glove on it, to put matters in boxing vernacular. Sometimes, even the greatest err; in this case Mises and Rothbard clearly did so. And, these objections to gainsay that fact are unavailing.

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NOTES

1. Throughout we use gold as a synonym for commodity or commodities.
2. Although both Mises and Rothbard, not to mention the profession at large, use the terms “money supply” and “supply of money,” to describe the present situation, this is incorrect; in fact, the correct terms are “money (or monetary) stock” and “stock of money.” (Barnett and Block, 2009A)
3. This applies, as will be indicated below, to Rothbard, but not to Mises. Or, to put the matter differently, it fully applies to the former, but only partially, or indirectly, to the latter.

4. In similar manner, Coase (1960) would have found it contrary to his philosophy to call into question *all* extant property rights. Yet, the Austro-libertarian critics of Coase employed precisely this argument against him, and Rothbard (1982) was a leader in this critique.

5. The line between a sympathetic reading, or interpretation, on the one hand, and outright misinterpretation on the other, perhaps, is not a hard and fast one. There are continuums (Block and Barnett, 2008), after all. However, in this case to read between the lines and distinguish between what Rothbard “really” meant, and what he out and out actually *said*, in our opinion, falls altogether too clearly in the latter category. Moreover, Rothbard refers to Hume’s mid-18th century analysis, when gold coins were money and banknotes were redeemable in gold.

6. $X+Y$ is non optimally large or small as $Y>0$ or $Y<0$, respectively.

7. “Impossible” was an infelicitous choice of word; we should have said “uneconomical.”

8. “Possible” was an infelicitous choice of word; we should have said “economical.”

9. For a critique of Mises on this issue, see Block (1977).

10. In fact, we oppose any form of maturity mismatching (of which fractional-reserve banking is but one form) by financial intermediaries. For more on this, see Barnett and Block (2009B, 2009C).

11. Or Stalin, or Mao, or Genghis Kahn; choose your own mass murderer.

12. Of which there is no such thing: Anderson, 1998; Barnett, et al, 2005; Callahan, 2000; Cowen, 1988; Guillory, 2005; Higgs, 1995; Hoppe, 2003; MacKenzie, 2002; Rothbard, 1985; Simpson, 2005; Tucker, 1989; Westley, 2002; Woods, 2009.

13. They are imaginary in that they exist in the mind of the author of this objection but are not and could not be revealed in his actions.

14. For more on this, see Barnett and Block, 2009A.

15. Of course, the same analysis applies to any voluntary conversions of gold from non-monetary to monetary uses.

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