

Foreword

Reading this book will change your life. You will think about money in a radically different way. You will learn that the market can efficiently produce money without government. You will understand that government expansion of the money supply is a hidden tax on the public. You will recognize that the Federal Reserve and other central banks are not benign institutions as economists and politicians portray but instigators of economic booms and busts. The world will look radically different to you. I should know—this Murray Rothbard gem was only the second book I read on Austrian economics and libertarianism (the first was Ron Paul’s *The Revolution: A Manifesto*, which recommended it).¹ Thus began a life’s journey into Austrian economics and its monetary theory.

The great economist Ludwig von Mises recognized the book’s significance immediately in its unique ability to unveil the mystery of money to the noneconomist. When the Foundation for Economic Education

¹Ron Paul, *The Revolution: A Manifesto* (New York: Grand Central Publishing, 2008), pp. 169, 172.

asked Rothbard to write a short monograph on the basics of money in 1957, Rothbard did exactly that. In lucid prose he explained the origins of money, what a free market in money would look like, the relationship between the money supply and prices, how monetary expansion redistributed income from late receivers of new money to early receivers, and all the various types of monetary intervention and their effects. Its striking indictment of government monetary management was so radical that the president of the Foundation for Economic Education, Leonard Read, solicited Mises's opinion.² Mises replied that Rothbard correctly explained an extremely complicated subject in a clear and eye-opening way to the average lay person:

Doctor Rothbard tries to provide in seventy-two typed pages a fundamental exposition of the nature and functioning of money within the frame of the market economy and of the causes and effects of present-day monetary troubles. He has succeeded rather well in giving to the general reader a correct interpretation of the intricate problems involved. It would be easy to criticize his method and several of his specific comments from the point of view of a comprehensive theory of economic phenomena. However, a popular representation of one segment of the field of economics cannot avoid certain simplifications and may deliberately neglect some distinctions that a complete analysis

²Leonard Read to Ludwig von Mises, September 27, 1957, Rothbard Papers, Mises Institute Library and Archives, Auburn, Ala.

must not omit. There is little doubt that Dr. Rothbard's draft can provide the discriminating layman with knowledge that no other available publication could furnish.³

This was not the first time Mises had spoken favorably of the monetary economics of his most promising pupil. A year earlier, in a letter of recommendation for Rothbard to write a book on the Great Depression, Mises said, "I am fully convinced that he will one day be counted among the foremost economists. . . . I fully endorse what he says about these matters and I want merely to add that in my opinion nobody is better qualified to perform this job than Rothbard."⁴

The Foundation for Economic Education did not see Rothbard's little book on money in a similarly favorable light. It was too radical to publish. Fortunately, a small libertarian outlet was not deterred, and in 1963, Rothbard's seventy-two typed pages became *What Has Government Done to Our Money?*⁵ It would go on to play a crucial role teaching the insights of Misesian monetary economics to the next generation, including emerging scholars and some unexpected future politicians—as Joseph Salerno, Walter Block, and Ron Paul can attest.

³Ludwig von Mises, "On Dr. M.N. Rothbard's Paper, 'Money, Free and Unfree,'" October 21, 1957, Rothbard Papers, Mises Institute Library and Archives, Auburn, Ala.

⁴Ludwig von Mises to James A. Kennedy, April 5, 1956, Rothbard Papers, Mises Institute Library and Archives, Auburn, Ala.

⁵Murray Rothbard, *What Has Government Done to Our Money?* (Colorado Springs, Colo.: Pine Tree Press, 1963).

As economic conditions of the 1960s deteriorated into the devastating stagflation of the 1970s, when prices and unemployment soared and trust in the dollar declined, Rothbard's little money book became increasingly relevant. After the United States abandoned the Bretton Woods system in 1971, breaking the last link of the dollar to gold, another stagflationary recession hit in 1973. The following year Rothbard published a second edition.⁶ He kept the original manuscript intact and added a new chapter explaining how the dollar was incrementally weakened by the US government and retrogressed from a gold denominated currency to a completely fiat currency. In the face of crumbling international agreements and a dollar increasingly eroded by reckless money printing, Rothbard concluded that the only solution was to return to a free-market commodity money, removing government from the monetary scene in toto.

The second edition remains the definitive edition. Reprinted several times and read by successive generations, *What Has Government Done to Our Money?* continues to serve as an eye-opening primer on monetary economics. This was true during the 2008 financial crisis, when the banking industry imploded from the Federal Reserve's misguided policies. It remained true in the aftermath of the 2020 covid recession, when prices increased sharply and there was an enormous redistribution of real income and wealth. The effects of those monetary interventions continue to reverberate today.

⁶Murray Rothbard, *What Has Government Done to Our Money?* 2nd ed. (Santa Ana, Calif.: Rampart College Publications, 1974).

Now, in 2024, a half century since Rothbard's second edition was published, it is extremely timely that the Mises Institute is again publishing *What Has Government Done to Our Money?* If the United States is to return to a market-based money and eliminate the devastating scourge of inflation and monetary mismanagement by government, it will come only through the average person listening to Mises and reading Rothbard's little book on money. It is an undisputed classic that is needed now as much as ever.

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