



WOODS: All right, we're going to finish up where we left off yesterday, and then we're going to get into Gene's three bits of wisdom. Three bits of wisdom from Gene.

EPSTEIN: The three bits of wisdom, yeah.

WOODS: Okay, but first I want to know — okay, so you had, let's just put it mildly here, Gene, an unorthodox upbringing. And I don't mean that in the Jewish sense. Highly unorthodox upbringing, right?

EPSTEIN: Yeah.

WOODS: I guess in both senses, right?

EPSTEIN: Absolutely, and it does relate, because I think that — well, I could get into that, Tom, but it's probably not important. Go ahead.

WOODS: Okay, all right, so we covered a lot of stuff that I bet you've not discussed with a whole lot of people before, so that's all from the previous episode. But we did hear you kind of wrestling with ideas to some extent, but we did not leave you off as a libertarian in the last episode. So I want to know at what age it is, how old a guy are you, and what are the circumstances in which you actually — because my recollection of the general story is, you came across *Man, Economy, and State*. Most listeners of this podcast will know what that is, that's Murray Rothbard's economic treatise. It's a very, very long and dense book.

EPSTEIN: Yeah.

WOODS: It is not the kind of — it's a kind of book you read when you are already an adept. You're already committed to this, and you just want the foundations. It is not the kind of book — let me be blunt here, Gene — that a normal person pulls off the shelf and says, you know, I should give this a shot. And my understanding is that's exactly what you did. How did that happen?

EPSTEIN: That's right, Tom. This is going to be the useless part of the discussion of Gene Epstein Week, because this is how not to become a libertarian —

WOODS: Yeah.

EPSTEIN: — but how I became one anyway, how it happened to me, which was that I meandered through college, sleepwalked through college, mostly. And then I had a pass at trying to become a Jewish novelist — might as well mention that — but Philip Roth was doing much better work than I. And so in my year out of college — I was at San Francisco State in creative writing, and then also, of course, dodging the draft and determined, by the way, to go to prison rather than leave the country if I were drafted. And then I came back to New York and enrolled at the New School for Social Research, as it was then called, because I still felt I was a democratic socialist, and I actually wanted to study under Robert Heilbroner, whose stuff I had been reading, and he seemed like the ideal exemplar for me because he really was the most popularly read economist probably in the world. He'd written *The Worldly Philosophers*; he'd made a fortune from his books. And so I wanted to go there, and I did.

And in fact, success struck me. I became Heilbroner's protege, his teaching assistant, and he had me write portions of his not-very-good textbook, and then recommended me for jobs,

and in fact encouraged me to follow in his footsteps. But meanwhile, because in economics, and probably to this day, it was not difficult to get teaching jobs, I was partially supporting myself by teaching part time at St. John's University and then half time at Richmond College of City University, and then groping my way through, trying to see what kind of economist or what kind of socialist I really was.

And I was getting increasingly dispirited. I had no real respect for Heilbroner and his writings, and that was my secret about him. I was his intellectual valet, and he was not a hero to me, even though he was very nice to me personally. And by chance — here I was all ready to drop out, and I was never much of a student in my own right, and I really wasn't too enamored of teaching anyway, and I didn't really like what I was teaching.

But then that's the Eureka moment that you mentioned. I was browsing, as I always do — I'm a big browser of books, as so many people are — and I picked up a couple of times in the New School library, the two volumes of Rothbard's *Man, Economy, and State*. And then I think by the third or fourth browsing, somebody I just sort of vaguely heard of — Rothbard had actually collaborated a little bit with a couple of left-wing writers on foreign policy, and I think I'd seen his name there — so I read the book through. And that's the book that basically started me on my way. And indeed, *Economic Controversies* is a collection of Rothbard essays published by the Mises Institute that I always recommend, because I had the honor of writing an introduction to that collection. And the first sentence of that introduction reads, "It was nearly 40 years ago that Murray Rothbard changed my life."

I share the same incredulity, Tom, that you have about why Murray Rothbard can be often so roundly criticized. It's like saying that Beethoven wrote some lousy stuff every once in a while. Well, Beethoven probably did, and Rothbard was so prolific that he wasn't right all the time. Not everything he wrote was chiseled in stone or completely believable, and indeed, I think it's important for you and I to insist on saying that you should not read Rothbard as though it's holy writ. He could be wrong. Never suspend your critical faculties, even when you're reading somebody as thoughtful and brilliant as Rothbard. But of course, obviously analogizing him with Beethoven, Rothbard did do some incredible symphonies, and one of his great symphonies was indeed, *Man, Economy, and State*.

I mentioned a few things over time about what was so stunning about Rothbard insights. In particular, why the book spoke to me so directly was that he has many digressions in that book in which he indicts mainstream economics. And that was important to me, because he was teaching me that there really could be an economics. He was indeed teaching me that Austrian economics is almost a redundancy, because we all naturally — this is part of my hobbyhorse — we all naturally think in Austrian terms. By Austrian terms, I mean that we think in terms of human motivation in markets, of human incentives, and we reason it through sort of a priori.

Don't delude yourself into thinking that we discover the law of demand, in particular, which is a good example, because we look at empirical data. Empirical data is not going to teach us why we pay less for something the more that something is available. And as I like to stress, even Milton Friedman, who wrote this crazy essay about methodology and economics, when he's really writing rationally about economics, or most of the mainstream, they are thinking like Austrians.

But I want to just mention one insight that I've never mentioned before that especially struck me in Rothbard's *Man, Economy, and State*, and that was the returns to the capitalist. The one thing that Rothbard sort of enjoyed insisting on is that there are no returns to the capitalist in the sense that there are returns to the owner of land and resources or the owner of the labor. The laborer gets a return. The owner of the land and resources gets a return. But as Rothbard said, when you think about it logically, capital, capital equipment, or even intangible capital, it all comes from labor and resources, so it all derives back from labor and resources. And so therefore, there is no special return — he wrote in exclamation, there's no

special return that the capitalist gets. And this was sort of an ironic nod to all the left-wingers I was hanging out with at the New School. No, there are no special returns to the capitalists. The only way the capitalist gets a return has to do with time preference, with putting up money in Time 1 and waiting for Time 2 and Time 3 to get his return, or by taking entrepreneurial risk. That's the only way the capitalist ekes out his return.

And of course, because of time preference, there already always is some return to the capitalist. And of course, because of risk and entrepreneurship, they're often very large returns. And of course, capital equipment can appreciate over time and value, but that's partly because of the anticipation or the luck that the capitalist has in making the capital equipment he's financed more valuable. But so again, though, the point that land, resources, and labor are basically where the returns go to and the capitalist just builds on that was a very important insight for me, and a sort of beautiful illustration of the ways in which an Austrian can think through how economics, how the markets really work.

Of course, beyond that, reading Rothbard on the regression theorem, which I guess harkens back mainly to Menger, of course, mainly popularized by Mises, but the idea that money has value only because of what it could buy yesterday, and that yesterday it had value only because of what we could buy the day before, and that if we regress back and back in time, we ask how did have money have value on day zero, on the first day something was used as money – and of course, as Mises, Rothbard, and Menger point out, that's because it originated in some kind of a commodity. And that was another sort of beautiful insight, a sort of inference that could reconstruct history on the basis of the logic of human action. So I was dazzled by Rothbard's economics.

And then, in fact, it took me a while to get beyond sort of the Marxist hang-up, the Marxist hang-up about how do wages rise in a progressing economy. And it was really Mises in *Human Action* later on who sort of had the killer statement that if workers are underpaid in one industry, then there will be competition, there will be movement. Profit-seeking capitalists will bid up that labor and take advantage of that spread. And so reading Rothbard, reading *Man, Economy, and State* then started me on a tear to read all of the Austrians, to read almost all of Rothbard. To this day, of course, we're only beginning to catch up with Rothbard's books, as we lately learned. Nearly dead for 25 years, and now we have a new book by Rothbard coming out. I traveled to the Laissez Faire Bookshop downtown on Mercer Street in downtown Manhattan, then a brick-and-mortar bookshop, and I would browse for a couple of hours every weekend and buy a couple of books.

So I read virtually everything in the Austrian canon and then discovered, once I got past the idea as a bleeding heart of how capitalism is necessary to the material improvement of the masses and how that dynamic works, once I got past that, of course, then I got to the next part, which is an understanding, mainly from Rothbard – I think I mentioned this to you recently, Tom, that it was really when Rothbard wrote about how, in a world of scarce resources, under anything other than capitalism where some authority monopolizes those scarce resources, they will have to ration them. If the price mechanism isn't doing it, then the state will do it. So the state will have a huge temptation to use that very legitimate excuse to make sure that the Soho Forum doesn't get financed and that dissident publications don't get financed. And so understanding, then, that capitalism is necessary, although insufficient, to freedom – because of course, obviously, if there is a state, then we don't want the state to choke off freedom of speech and press or freedom to do anything with material goods by owning those material goods in the first place. But of course, the government can always use reprisals against you. So I'm not saying and I wouldn't argue and I did not argue to the socialists recently that capitalism is sufficient to freedom, but capitalism is absolutely essential to freedom.

So that was my odyssey, Tom, summed up, and I guess that kisses it off unless you have a question.

WOODS: It does. I have a follow up, though, about your family. Did you ever say to them: by the way, I've repudiated everything you taught me? I mean, how did that go? And by the way, I would not ask a personal question like that if you hadn't to divulge to us some extremely personal details [laughing].

EPSTEIN: Oh, Tom, no, absolutely. That's part of my point. No, indeed, I'm a very candid person. And I mean, you could ask me even more personal stuff than that. And the only thing I have to scrupulously — I mentioned my son with pride, because the only thing I have to scrupulously avoid, which I occasionally lapse with respect to doing, is making sure that I don't drag my candor into those people who are still alive, like my kids or the woman I'm married to or my older brother. They have a right to their privacy.

But how did the family respond? Well, obviously, it is kind of a mixed bag, because — I'll mention my daughter. My daughter makes fun of me a little bit only in this regard. I'm going to mention my daughter, who's progressive. She makes fun of me a little bit, because she said, "Dad, you learned how to split the difference." You know, you could take your mother's anti-militarism, her objection to US foreign policy, and you can incorporate that into your worldview. And then of course, you could take Grandpa's, your father's pro-capitalism, and you could bring that to a new level. So you could sort of please them both. You could say, *Hey, look, you were right, but although for the wrong reason about American imperialism*. And I of course was out there objecting to the Vietnam War. And then I can say to my father, *You were right about capitalism, although* — and in fact, by the way, I used to feed my father some arguments. His face would light up, because it gave him some arguments that he had not really read up on, and so that pleased him, as well.

However, while that's true, Tom, I guess you have to realize that if you read a little Philip Roth in the Jewish families, how you shoot and get shot at or how people argue, you know, you ask two Jews a question and you get four opinions or five opinions, all those old cliché jokes actually do apply. I was very happy to argue with them both, very happy to be able to tell my mother that her allegiance to the Soviet Union was just a joke and argue with her about that. So we got into some very heated discussion. She didn't disown me. In fact, I got a job — here's something funny. I got a job on Wall Street as Director of Commodity Research on Wall Street. My mother was such a mixed bag. The bourgeoisie Jewish mom came out in her, and she was just bursting with pride that her son has a high-paying job on Wall Street.

Although, by the way, she used to have a few good zingers. Here's a funny story about her. My son, who thought she was like the most original character in the 20th century, as used to put it about his grandmother, he said to her once, "Grandma" — my mother used to watch Louis Rukeyser's *Wall Street Week* realizes and invest in the stock market. So my son, Jim, said, "Grandma, you're a communist. Can you really in good conscience invest in the stock market?" And my mother's answer was, "What? Only the capitalists should get rich?" So that was a good response to her. And so she was a mixture, and so I could needle her. And then I would argue foreign policy with my father and, of course, really offend him. You know, I was lodging various insults against the American government. But of course, during the Vietnam War, we'd get into heated arguments. So the answer to your question, Tom, is that like any person cut from the Jewish cloth, I didn't mind starting family arguments with everybody, especially with my parents.

WOODS: Okay, that's a good answer. Now, we've got just under 15 minutes if we're going to stay on schedule. So we can either try to do the three pieces of Gene Epstein wisdom, or I can throw some more Gene-Epstein's-life questions at you. What would you like to do?

EPSTEIN: Oh, well, Tom, I'm trying to sympathize with my audience. Maybe the audience has had enough of my life.

WOODS: All right, because I did want to ask about what it was like to be Chief Economist at the New York Stock Exchange, but —

EPSTEIN: Oh, I was not — by the way, Tom, not a big deal, but I was Senior Economist. I reported to the Chief, and as a matter of fact — so I have to say no, I did not get that far in life. I was a Senior Economist.

WOODS: Oh, it says that in your bio at the Mises Institute.

EPSTEIN: Oh, does it really?

WOODS: Yeah, it says "former Chief Economist." I wouldn't have just made that up.

EPSTEIN: Oh, Tom, no, no, no —

WOODS: Somebody else made it up, and I just repeated it.

EPSTEIN: Somebody else made it up, yeah, Tom. No, okay, I mean, I guess it might interest you, I was there for nearly 14 years. And as a matter of fact, it affected me in two ways. One of them was sort of like a naive way which affected me. By the way, when I told certain people who knew a lot about Wall Street I'd just gotten a job with the New York Stock Exchange, like my mother, or in fact, I had an aunt, they would say, "Yeah, okay, job with the New York Stock Exchange. But who is your employer?" I said, "My employer is the New York Stock Exchange." They have regulatory staff; they have economists, planners. I said, "I'm working for them. I'm looking *for* the New York Stock Exchange." And so that they didn't realize, but —

WOODS: But I don't understand what the job consists of. What does the economist do with the New York Stock Exchange?

EPSTEIN: Oh, nothing much. Nothing much is the answer [laughing].

WOODS: Well, but you were there for 14 years. You must have done something.

EPSTEIN: Well, part of what I did was — okay, part of what I did to earn my salary, because I'd better answer your question directly before I get to what else I did, was that, again, the New York Stock Exchange kind of had this public image. And so there was an encouragement by the Chairman of the New York Stock Exchange to turn out sort of studies of the economy to sort of enhance our image. And so that's what we did. We turned out studies of productivity and investment. We were occasionally asked to consult with the publicist and with PR people and lobbyists in Washington by the New York Stock Exchange. And so that was our role.

And we had one chief economist, and let's see, just three of us. There was basically just four of us. One person was called the Director, who wasn't really a director. Two senior economists, a director, and chief economist, so we were just four people. And I began to realize that I could get my work done like on a Thursday or Friday. The job didn't take a whole lot of time. So that's why I was able, by the way, to go to afternoon seminars at NYU. But this was the time when I was learning my Austrian economics. There were afternoon seminars. There was evening stuff. I actually once crashed Murray Rothbard's class at the Brooklyn Polytechnic Institute. I was a little crazed, I didn't even ask Rothbard if I could order it, if I could just sit in. And Rothbard looked at me rather weirdly when I raised my hand to ask a question. But that was my one encounter with Rothbard. I had a phone conversation, which I've mentioned before, with Rothbard, not a whole lot.

But anyway, this by and large, it was a slow-moving job, it was a decent salary, and so I realized I could do what John Stuart Mill did. I published some articles. I wrote a piece for *Inquiry* magazine, which was then basically a libertarian monthly, about deregulation in the markets. And so I had a somewhat leisurely life. I wrote some other pieces under a pseudonym for *Challenge* magazine, the content of which is probably not interesting enough to get into. But I wrote under a pseudonym. Because George Orwell had been a teenage hero of mine, I originally called my — I usually used a pseudonym, Eric Blair. That was Orwell's original name. And then shortly thereafter, I decided to use the pseudonym Winston Smith, and it wasn't until 1984 that people began to realize where I got that. So that was, of course, the name of the main character in *1984*, the novel by George Orwell.

So that's basically what I did. I had to sort of settle into the idea that I've got a wife and kids, I'm earning a decent enough salary, and why don't I just sort pull what I mentioned to Bob Murphy was a John Stuart Mill. John Stuart Mill's father, James Mill, taught him that the best thing to do is not to become an academician in the university; get a job with a bureaucracy, and the job will be very undemanding. John Stuart Mill, as you may know, worked for the Dutch East India Company, and he would apparently save all his work for a Friday and get everything done in that one day, and then otherwise do his thing. So that was the style I got into.

And then the Chief Economist did get fired. They put in a new guy whom I couldn't get along with, and that's when, after I transferred to another division and I didn't like that, and then ultimately there was a downsizing, and I got fired after 14 years. So that was what I did at the New York Stock Exchange.

But also by the way, I became very enamored of worker ownership and the worker ownership movement and got to know a lot of the people in that field. And because I did a study called "People and Productivity," and then a book-length thing called *People and Production* for the New York Stock Exchange, none of which really is that good or worth reading to this day, but I did that, and then it gave me an excuse to go to all the conferences of the worker ownership movement. And I think that one of the reasons why I became enamored of worker ownership and control is because the nature of the New York Stock Exchange, because it was so politicized, because the Chairman was — I don't want to mention names, but the Chairman was just somebody who had contacts in Washington. And the whole culture of the place was that the people at the top were just none too swift, were often just sort of egotistical, difficult types. And so this sort of affected my attitude toward the people in charge.

And of course, it made me realize, of course, that there are other places in which bosses sort of waste their employees, they don't get the best out of their people because they're a bunch of egotists. But those people can be flushed out in a competitive economy. But that was one thing that the New York Stock Exchange really wasn't. It was basically a quasi-public organization. And so that's why I became enamored of worker ownership.

And my mother, by the way, supported me in this, because I said, well — that's when I, by the way, hit on the point that you don't need socialism. All you need is a worker ownership movement. And I did meet people, and to this day, I know of a couple of them who really care about worker ownership within capitalism. They do like — you know, there's tax favoritism imposed on employee stock ownership plans. It's not so terrible, not a big sin. They do like that. So they're not exactly libertarians, but they're good people. And that, of course, is what, by the way, helped me in trying to point out to the socialist that there is a way for them to build socialism from the ground up. Just bring about worker ownership. It's perfectly compatible with capitalism.

But the point is that, at that point, I was more enamored of it than I am today, because I was just sort of viscerally experiencing what the dumb, bad bosses could be like, and realizing that there was a lot of knowledge at the bottom, knowledge in the middle levels, that they simply weren't tapping. So that pretty much sums up my 14 years at the New York Stock Exchange.

WOODS: All right, I think what we're going to do, because we have three episodes left of Gene Epstein Week, I want to plot out for people what to expect. So tomorrow we're going to get to — Gene sent me a list of half a dozen intellectual hobbyhorses of his, things that make him crazy, errors, the wrong ways that people think about certain things, and what's the right way to think about them. So we're going to do that. We're going to talk about some books that influenced Gene. Now, Gene sent me a list of something like 11. That would take us four Gene Epstein Weeks to get through, so I'm going to extract the ones I want to hear about. We'll do that. And then in the closing moments of Gene Epstein week, we will finally get to the three points of wisdom from Gene Epstein. So that's what we'll do. We'll leave it all there. So the

show notes page, I guess I'll link to *Man, Economy and State* and *Human Action* and stuff of that nature, so we'll put that at TomWoods.com/1552. And Gene, we'll see you tomorrow.

EPSTEIN: See you tomorrow, Tom, and I just want to leave with one thing. I really do want to mention the Rothbard book that I remember, *For a New Liberty*, and so I think it is a classic, *For a New Liberty* by Murray Rothbard. And maybe we'll mention that when we discuss books in a couple of days.

WOODS: Yeah, *For a New Liberty*, there are some parts of it that I would have done differently, but it's a great —

EPSTEIN: Really?

WOODS: Well, obviously I don't — I don't like his — but I don't want to — if we have an argument about abortion, we're going to need like eight Gene Epstein Weeks.

EPSTEIN: Oh, abortion.

WOODS: It's mostly that stuff.

EPSTEIN: Oh, forget about the abortion part of it. No, but indeed, I mean 90% of that book is —

WOODS: Oh, yeah, no, it's a great — it's just that because of that, there are whole groups of people that I can't give that book to, because they'll look at it, they'll flip right to that section, they'll say, "I knew it. You libertarians are terrible people." And it's — ugh, really?

EPSTEIN: Just the abortion part, Tom?

WOODS: Well, Gene, I don't know if you noticed about abortion people, a lot of these people, that's their issue. That's the one thing. It's like the Armenians. Our one thing is the damn genocide recognition. That's our one issue.

EPSTEIN: You know, of course it's in *Ethics of Liberty*, the other Rothbard —

WOODS: Oh, yeah, the other stuff that's objectionable. Yeah, yeah.

EPSTEIN: Yeah, well, gosh. You know, that's funny. Of course, I wanted to mention it, because the crossover point is that I got, to my surprise, Nick Gillespie, who claims not to be a fan of Rothbard, admitted to me that *For a New Liberty* was a very important book in his development, and I began to think, *For a New Liberty* is sort of dated, but not really. It's got so much refreshing Rothbardian stuff in it.

WOODS: Oh, yeah. No, it is a good book overall, yeah. Yeah, absolutely. And especially when I was first getting into this and I wanted to read as much Rothbard as I could, I thought that was a great one-book distillation of where we stand in a variety of areas, as well as an overall picture of libertarianism.

EPSTEIN: But you're saying — well, okay, you're saying you don't recommend —

WOODS: I don't like the tone of that whole section. I think it has an almost contemptuous attitude toward people who are genuinely concerned about — like he's just flippantly, I think, dealing with some moral issues where I agree with him that the state shouldn't be involved, but I don't agree with him in trying to make it seem as if people concerned about this should just be treated dismissively. I don't think that's the approach I want to take.

EPSTEIN: Here is the refreshing moment, everybody, because Tom and I — again, I would take Rothbard is the Beethoven of economics, but every once in a while, he didn't write a great tune. So Tom and I reserve the right to be critical, even of the great Rothbard.

WOODS: Of course. Yeah, I have no problem doing that. Yes.

EPSTEIN: But please, of course, Tom and I are just appalled, how can you deny the fact that this guy wrote so many great symphonies?

WOODS: Oh, I know. It's absurd.

EPSTEIN: That, we just can't understand.

WOODS: Exactly.

EPSTEIN: How can you not acknowledge the fact that this guy is just extraordinary, to the point where Tom Woods has — I'm kidding. I'm going to shut up, Tom —

WOODS: All right, okay, so everybody, we've got some really, really good — I mean, I wanted to get this stuff out there about Gene and his background and how he came to this stuff, and there's some really good nuggets in here. Now we get into Gene doing what he does best, which is — I don't want to say demolition of bad arguments because we're also going to be building up good arguments, but the really intellectual stuff. It's coming, folks, so expect that tomorrow, and thanks for listening, everybody.