

Literature IN Economics, and Economics AS Literature II: The Economics of *Robinson Crusoe* from Defoe to Rothbard by way of Bastiat (Draft)

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Bio

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from King's College, Cambridge on the work of two early 19th century French classical liberals , Charles Comte and Charles Dunoyer. He then taught for 15 years in the Department of History at the University of Adelaide in South Australia where he was awarded the University teaching prize.

Since 2001 he has been the Director of the Online Library of Liberty Project at Liberty Fund in Indianapolis. The OLL has won several awards including a "Best of the Humanities on the Web" Award from the National Endowment for the Humanities, and was chosen by the Library of Congress for its Minerva website archival project. He is currently the Academic Editor of Liberty Fund's translation project of the Collected Works of Frédéric Bastiat (in 6 vols.) and is also editing a translation of Molinari's *Evenings on Saint Lazarus Street: Discussions on Economic Laws and the Defence of Property* (1849).

David is also the co-editor of two collections of 19th century French classical liberal thought (with Robert Leroux of the University of Ottawa), one in English published by Routledge: *French Liberalism in the 19th Century: An Anthology* (Routledge studies in the history of economics, May 2012), and another in French called *L'âge d'or du libéralisme français. Anthologie XIXe siècle* (The Golden Age of French Liberalism: A 19th Century Anthology) (Paris: Editions Ellipses, 2014).

Abstract

Daniel Defoe's novel *The Life and Strange Adventures of Robinson Crusoe of York, Mariner* (1719) has provided economists and social theorists with a rich and seemingly infinitely broad canvas on which they can paint whatever picture they like of the nature of economic activity. In addition to Defoe's own economically informed, English Protestant original story, there have been Marxist, feminist, post-colonial, neo-classical, as well as Austrian accounts of the activities of the man ship-wrecked on the Island of Despair. These have been termed "Robinsonades" or "Crusoe economics."

In this paper I want to examine the importance of this story to the Austrian School of Economics which, more than any other, has seen the bare outline of the story of Crusoe's survival as a powerful means of abstracting the ideas behind human action away from any particular historical moment in order to better understand the logic of human action or praxeology, both in its economic and moral dimensions.

A survey of classical texts going back to the 17th century show numerous very general references to men as "natural man," the "savage," the "isolated individual", the man in the "state of nature", the European colonizer or settler, and so on, but none until the mid-19th century makes any systematic effort to use Crusoe economics to examine human action in the abstract for the purpose of grounding their very theory of economics.

The first to do this was Frédéric Bastiat in several essays and in his incomplete magnum opus *Economic Harmonies* which appeared between 1847 and 1850.

His pioneering efforts were not appreciated at the time, even by William Stanley Jevons who was the most sympathetic to Bastiat of all the Marginalists writing after 1870. Böhm-Bawerk used "Crusoe economics" extensively in his writings on the theory of capital but did not recognize Bastiat's contributions to economic theory and dismissed his work generally as unimportant. Ludwig von Mises, while recognizing the greatness of Bastiat as an economist, nevertheless referred to Robinson Crusoe only in passing and usually derogatively as being part of an "autistic" economy or as facing the same problems as socialist central planners in not having price information to help him make

economic decisions.

It was not until Murray Rothbard reworked the fundamentals of Austrian economic theory in *Man, Economy, and State* (1962) that Bastiat's version of Crusoe economics was made the centre-piece for understanding the fundamentals of human action in the first three chapters of his treatise. Here, the use of Crusoe economics was designed to be Wertfrei (value-free) in the Misesian tradition.

Twenty years later in *The Ethics of Liberty* (1982) Rothbard also made Crusoe the foundation of his ethical theory for liberty in which "the condition and actions of Crusoe are here analyzed not in order to establish economic concepts, but rather those of natural-rights morality - in particular, of the natural sphere of property and ownership, the foundation of liberty. The Crusoe model enables one to analyze the action of man vis-à-vis the external world around him, before the complications of interpersonal relations are considered." (Preface, *The Ethics of Liberty*, p. vi). In this later use of Crusoe Rothbard has turned the story into a "Wertvoll" (value laden) moral theory in order to ground his theory of liberty and ultimately his theory of anarcho-capitalism.

Thus, we can see the important role the story of Robinson Crusoe has played in the development of Austrian economics in general and in the moral and political theory of at least one important group within the modern libertarian movement, namely the followers of Murray Rothbard.

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Introduction

Note bene

Note 1: This paper is part of a longer work on “Literature IN Economics, and Economics AS Literature”. Part I was called “Bastiat’s use of Literature in Defense of Free Markets and his Rhetoric of Economic Liberty” in which Bastiat’s early and innovative use of “Crusoe economics” is discussed along with his other innovations in the use of literature to illustrate economic ideas, as well as his use of several literary forms to “do” economics. It is available online here <davidmhart.com/liberty/Papers/Bastiat/DMH_BastiatFrenchLiterature.html>. In this paper I want to explore the impact his use of Crusoe had on the development of the Austrian school, in particular the work of Murray Rothbard.

Note 2: This is a work in progress. A draft of the paper was given at the APEE conference in April, 2015.

Introduction

Daniel Dafoe’s novel *The Life and Strange Adventures of Robinson Crusoe of York, Marriner* (1719) has provided economists and social theorists with a rich and seemingly infinitely broad canvas on which they can paint whatever picture they like of the nature of economic activity. In addition to Dafoe’s own economically informed, English Protestant original story, there have been Marxist, feminist, post-colonial, neo-classical, as well as Austrian accounts of the activities of the man ship-wrecked on the Island of Despair. These have been termed “Robinsonades” or “Crusoe economics.”

In this paper I want to examine the importance of this story to the Austrian School of Economics which, more than any other, has seen the bare outline of the story of Crusoe’s survival as a powerful means of abstracting the ideas behind human action away from any particular historical moment in order to better understand the logic of human action or praxeology, both in its economic and moral dimensions.

When doing research on Frédéric Bastiat I came across some references to Bastiat by Murray Rothbard and was struck in particular by a passage in Murray Rothbard’s *Ethics of Liberty* (1982) where he places enormous importance on the insights which come from a thought experiment (ein Gedankenbild) involving the thoughts, decisions, and interactions of Robinson Crusoe and Friday on their Island of Despair. That he thought it provided the basis for the entire body of Austrian economic theory (praxeology) as well as his libertarian political theory (anarcho-capitalism) is an extraordinary claim and I wanted to see where he got this idea and why he thought he could build so much of his theory upon it. The quote in question is:

If Crusoe economics can and does supply the indispensable groundwork for the entire structure of economics and praxeology - the broad, formal analysis of human action – a similar procedure should be able to do the same thing for social philosophy, for the analysis of the fundamental truths of the nature of man vis-a-vis the nature of the world into which he is born, as well as the world of other men. Specifically, it can aid greatly in solving such problems of political philosophy as the nature and role of liberty, property, and violence.[\[1\]](#)

I was curious to know where Rothbard had got the idea to use the Robinson Crusoe character as a way to abstract the pure logic of human action away from any given historical reality and to make the generalizations about human action where are the hallmark of “praxeology” and the Austrian approach to doing economics. A footnote hunt through MES (1962)[\[2\]](#) led to the discovery that it came from

Rothbard's reading of the work of Frédéric Bastiat, especially his unfinished treatise *Economic Harmonies* (1850, 1851) in the 1944 edition published by R.C. Hoiles of Freedom Newspapers.^[3] I also discovered that the Crusoe thought experiment played a very important role in the opening chapters to MES where MNR lays the foundation of his version of Austrian economic theory, that he used a variety of forms of the story/character with Robinson Crusoe, Robinson and Smith, and Friday and Jackson.

I will discuss Rothbard's use of Robinson Crusoe in more detail below, but before I do that I would like to examine Daniel Defoe's economic ideas and how these intruded into the original novel (1719) and then how other economists have used the Robinson Crusoe story in their own economic theorizing.

Literature AS Economics - What kind of an Economist was Defoe? (incomplete)

Daniel Defoe's novel *The Life and Strange Adventures of Robinson Crusoe of York, Mariner* (1719) was actually only the first part of what became a trilogy of works in which Defoe explored the economics of Crusoe being stranded on an island, his moral and religious development, his activity in founding a model political community over which he ruled like an enlightened monarch, and the moral and religious lessons the reader could draw from Defoe's experiences or what he strangely called his "vision of the angelic world".^[4]

(add section of Defoe's economic ideas - mercantilist, pro-colonies)

(add section on RC's economic activities in the novel)

(add section on the range of critical interpretations of the economics in the novel)^[5]

Bastiat's Invention of a Praxeological version of "Crusoe Economics"

Bastiat and Praxeology

A survey of classical texts going back to the 17th century show numerous very general references to men as "natural man," the "savage," the "isolated individual", the man in the "state of nature", the European colonizer or settler, and so on, but none until the mid-19th century makes any systematic effort to use Crusoe economics to examine human action in the abstract for the purpose of grounding their very theory of economics. The first to do this was Frédéric Bastiat in several essays and in his incomplete magnum opus *Economic Harmonies* which appeared between 1847 and 1850.

Before going into details about Bastiat's economic views I should say something about Mises' view of what praxeology is so that we might better assess how close Bastiat comes to this theory of human action in the passages I will be quoting below. In the Introduction to volume one of *Human Action* Mises defines praxeology as "the general theory of human action" or "the science of every kind of human action". As a very general theory of human action it includes within its purview other sub-disciplines like history or economics or sociology. Mises states:

For a long time men failed to realize that the transition from the classical theory of value to the subjective theory of value was much more than the substitution of a more

satisfactory theory of market exchange for a less satisfactory one. The general theory of choice and preference goes far beyond the horizon which encompassed the scope of economic problems as circumscribed by the economists from Cantillon, Hume, and Adam Smith down to John Stuart Mill. It is much more than merely a theory of the “economic side” of human endeavors and of man’s striving for commodities and an improvement in his material well-being. It is the science of every kind of human action. Choosing determines all human decisions. In making his choice man chooses not only between various material things and services. All human values are offered for option. All ends and all means, both material and ideal issues, the sublime and the base, the noble and the ignoble, are ranged in a single row and subjected to a decision which picks out one thing and sets aside another. Nothing that men aim at or want to avoid remains outside of this arrangement into a unique scale of gradation and preference. The modern theory of value widens the scientific horizon and enlarges the field of economic studies. Out of the political economy of the classical school emerges the general theory of human action, praxeology. The economic or catallactic problems are embedded in a more general science, and can no longer be served from this connection. No treatment of economic problems proper can avoid starting from acts of choice; economics becomes a part, although the hitherto best elaborated part, of a more universal science, praxeology.[\[6\]](#)

I think that we will see that Bastiat, especially in his unfinished treatises of economics *Economic Harmonies* (1850,1851), treats the discipline of economics in a praxeological way such as that defined by Mises above.

The Place of Robinson Crusoe in modern Austrian Economic Theory

Given Bastiat’s taste for literature and his knowledge of English it is quite possible that Bastiat read Defoe’s novel *The Life and Strange Adventures of Robinson Crusoe of York, Mariner* (1719) in the original early in his career. He would also have had access to one of the several translations into French – one in 1817, one in 1827, one in 1836, and one in 1837. The translation which appeared in 1836 was by the romantic writer Pétrus Borel who wrote under the nom de plume of “Wolfman” several stories of whose were published in the journal *Le Commerce*, which may have brought him to Bastiat’s attention.[\[7\]](#) The translation of 1837 was by the poet Mme Amable Tastu (1798–1885) and included a glowing essay on Dafoe by the economist Louis Reybaud who was known to Bastiat.[\[8\]](#) Reybaud did not directly discuss the economic aspects of the Crusoe story but instead focused on the political and moral aspects of Dafoe’s interesting and varied life. This makes Bastiat’s use of the economic predicament of Robinson Crusoe as an aid to thinking about economic decision making even more remarkable for its originality.

I think Bastiat originally may well have thought of using references to Robinson Crusoe just as he had done with references to Molière or Béranger, as simple but amusing ways to illustrate his economic arguments. His first reference to Crusoe is in the sophism ES2 14 “Something Else” (March 21, 1847) and a second one written later in the year (but not specifically dated) ES3 14 “Making a Mountain out of a Mole Hill” (c. 1847). This was the time when Bastiat began thinking he had something interesting to say about economic theory and began giving lectures on economics at the Athénée sometime in the late summer of fall of that year. He thus began turning from an economic journalist and free trade activist to a budding economic theorist. These lectures were to form the basis of his unfinished treatise on economics *Economic Harmonies* (1850, 1851). I suspect that as he was working on his theoretical treatise he came to see the power that the Crusoe/Friday story provided for gaining insights into the nature of economic reasoning itself and not just as a way to illustrate it cleverly. Bastiat therefore made the intellectual leap to invent a more abstract way of thinking about economic decision making,

what we might call praxeological “Crusoe economics” which was based upon a literary and possibly fictional character.

This intellectual leap by Bastiat would not be recognized until 110 years after his death when the Austrian economist Murray Rothbard used “Crusoe economics” as the foundation for his treatise on economics, *Man, Economy and State* (1962) and duly recognized Bastiat’s pioneering contributions. This will be discussed in more detail below. Thus, according to Rothbard at least, Bastiat’s discovery of “Crusoe economics” not only helped found a key aspect of the modern Austrian school of economics, namely “praxeology”, but also helped him (Rothbard) more clearly work out the moral and political ideas which lay behind his theory of anarcho-capitalism.

Bastiat’s Discovery of Robinson Crusoe

Modern readers of economics do not find it strange when an economist uses “thought experiments” (Gedankenbild) to help simplify and clarify complex economic arguments. Members of the Austrian school resort to this process as a matter of course because it helps them establish the logic of “human action” which every economic actor must face when making decisions about what to produce or what to exchange. Bastiat, too, found it helpful to make use of the fictional figure of Robinson Crusoe shipwrecked on his Island of Despair in his thought experiments to show the obstacles which need to be overcome in order for Crusoe to achieve some level of prosperity, the opportunity costs of using one’s time on one task rather than another, the need to deprive himself of some comforts in order to accumulate some savings, and (when Friday and visitors from other islands appear on the scene) the benefits of the division of labor and the nature of comparative advantage in trade.

The relative simplicity of the choices Crusoe had to make (first just one person and then two with the arrival of Friday) makes this a useful device for economists to use when making “thought experiments” to illustrate basic economic principles and Bastiat is one of the first economist to make extensive use of “Crusoe economics” to do so (Henry Carey may have been the first in the late 1830s but he was out of the mainstream of the classical school and an American to boot). In a search of the economic works on the Online Library of Liberty for references to “Robinson Crusoe” in works written before Bastiat’s first use of it in 1847 we find that there are no references at all in the works of Adam Smith, in J.B. Say’s *Treatise on Political Economy*, or the works of David Ricardo. There are only single references scattered across the writings of economists who were writing in the 1810s, 1820s and 1830s, such as Jeremy Bentham, Jane Marcet, Thomas Babbington Macaulay, Richard Whately, and Thomas Hodgskin and none of them uses the Robinson Crusoe analogy to express serious economic ideas. In the case of Richard Whately (1831), he firmly rejected the use of Crusoe in any discussion of the nature of political economy because in his view the study of economics was the study of “exchanges” and, since Crusoe did not engage in any exchanges (at least until Friday came along), he was “in a situation of which Political-Economy takes no cognizance.”^[9] Thus, Bastiat’s extensive use of “Crusoe economics” between 1847 and 1850 and the way he did this may well be an original contribution to economic reasoning.

There are several essays in the *Economic Sophisms* and multiple references in *Economic Harmonies* where Bastiat uses Crusoe to make his points.^[10] In an unpublished outline or sketch written sometime in 1847, ES3 14 “Making a Mountain out of a Mole Hill”, Bastiat uses Robinson Crusoe for the first time to simplify the economic arguments for free trade and provides an excellent statement of his methodology:

Let us run off to the island to see the poor shipwrecked sailor. Let us see him in action. Let us examine the motives, the purpose, and the consequences of his actions. We will not

learn everything there, in particular not those things that relate to the distribution of wealth in a society of many people, but we will glimpse the basic facts. **We will observe general laws in their simplest form of action, and political economy is there in essence.**

Let us apply this method to just a few problems...(my emphasis)[\[11\]](#)

This explanation shows some of the benefits using of “Crusoe economics” to explain economic ideas. It is useful for simplifying an examination of an individual’s motives and purposes in taking certain actions, and then in assessing the consequences of those actions. By abstracting the single individual economic actor away from the crowd the observer can begin to figure out “general laws in their simplest form of action, and political economy is there in essence,” which the Austrian methodology in a nutshell. Once this thought process has taken place and the method applied to just enough simple problems so the principles can be understood, they then can be applied to more complex economic arrangements where many people are involved.

Bastiat begins his discussion of Crusoe by looking at his attempts to catch fish, grow vegetables, and clothe himself alone on the island. Being a good European he expands his production by making a tool (a net) which he does successfully by sacrificing his leisure time. A prohibitionist who is also part of the discussion fears that if visitors come to the island wanting to trade clothes Crusoe would be made worse off. In the Crusoe “thought experiment” the visitors take the place of “the English” who were permitted to trade their cheaper clothing in the Portuguese market under the Treaty of Methuen. Bastiat outlines Crusoe’s thinking in agreeing to trade his vegetables for “foreign” clothes:

“Would we also be able to study the Treaty of Methuen on the Island of Despair?”
"Why not? Let us take a walk there... Do you see, Robinson Crusoe is busy making clothes to protect himself from the rain and cold. He is regretting the time he has to spend on this as he also needs to eat and his garden takes up all his time. But here is a canoe that has come to the island. The stranger that disembarks shows Robinson Crusoe some warm clothes, offers to trade them to him for a few vegetables and offers to continue this exchange in the future. Robinson Crusoe first looks to see whether the stranger is armed. Seeing that he has neither arrows nor a tomahawk, he says to himself: “After all, he cannot lay claim to anything that I do not agree to; let us have a look.” He examines the clothes, calculates the number of hours he would spend making them himself and compares this with the number of hours he would have to add to his gardening work to satisfy the stranger. If he finds that the trade, while leaving him just as well fed and clothed, makes a few extra hours of his time available, he will accept, knowing full well that these hours saved are a net gain, whether he devotes them to work or leisure. If, on the other hand, he thinks that the bargain is not advantageous, he will refuse it. What need is there in this case for an external force to forbid it to him? He is able to refuse it himself.[\[12\]](#)

After several pages of going back and forth the free trader armed with his Crusoe arguments is not able to fully convince the protectionist of his position and the discussion ends unsatisfactorily. This lack of resolution perhaps explains why Bastiat never finished the essay and never published it in his usual journals.

The second occasion for Bastiat’s use of Robinson Crusoe can be found in ES2 14 “Something Else”, which originally appeared in *Le Libre-Échange* on March 21, 1847. In “Something Else,” Bastiat, as he often does, has created a conversation between two intellectual opponents (in this case a Protectionist and a Free Trader) where the Protectionist asks the Free Trader to explain the effects of

protectionism. The Free Trader replies “(t)hat is not so easy. Before considering the more complicated cases, one should study the simpler ones,” before launching into a discussion of how Crusoe made a plank of wood without a saw. After two weeks of intense labor chipping away at a log with an axe Crusoe finally has his plank (and a very blunt axe). He then sees that the tide has washed ashore a proper saw-cut plank and wonders what he should do next (the new plank is an obvious reference to a cheaper overseas import which the protectionists believed would harm the national French economy). Bastiat puts some protectionist notions in Crusoe’s head and Crusoe now concludes that he can make more labor for himself (and therefore be better off according to the protectionists’ theory) if he pushed the plank back out to sea. The Free Trader exposes this economic sophism by saying that there is something that is “not seen” by the Protectionist at first glance, namely “Did he not see that he could devote the time he could have saved to making something else?”^[13] Which is of course the key insight behind the idea of opportunity costs.

Bastiat then raises the level of complexity in his economic arguments by introducing a second and then a third person on Crusoe’s island. By introducing a second person, Friday, Crusoe now has someone with whom he can cooperate and trade. They can pool their resources, plan their economic activities, develop a simple form of the division of labor, and even trade with each other. When a third person arrives from another island and proposes a trading relationship whereby Crusoe and Friday trade their vegetables for the visitor’s game Bastiat now can explore the benefits of international comparative advantage in trade. Bastiat uses this three way conversation to make his points: interestingly, he gives the European Crusoe the protectionist arguments; and the native islander Friday is given the domestic free trade arguments, and the visitor becomes an advocate of international free trade. This is course is a clever reversal of the “colonialist” position that claims the European colonists like Crusoe are more advanced than the primitive and backward natives like Friday.

Another example can be found in the essay “Property and Plunder” [July 1848].^[14] The context was a debate in the National Assembly on the question of “the right to work” legislation which Bastiat and the free market liberals strenuously opposed. The socialist supporters of the legislation believed that the state should provide work and wages for those who could not get any on the free market. Furthermore, wages should be raised if the state felt that workers were not being paid their “just” wage. Here Bastiat again introduces Crusoe and Friday to help explain why voluntary exchanges between individuals are both just and more productive than “exchanges” brought about by state imposed controls. On their island Crusoe hunts birds and Friday fishes in the sea. Their division of labor means that they can both benefit from exchanging with each other. In this essay Bastiat gives socialist arguments to Crusoe who believes the value of his birds are intrinsically worth more than the value of Friday’s fish and that Friday should be forced to give him more fish than he would have if a free bargain had been made between them. Bastiat argues that in a freely made bargain there is an exchange of “service for service” which leaves both parties better off. Friday tells Crusoe that if he insists on being paid a premium for his birds then he, Friday, will take up his own hunting when he needs a bird to eat, and that no trading will take place, thus leaving them both worse off compared to what would have happened if they had engaged in free trade.

Robinson Crusoe and “isolated man” in the *Economic Harmonies*

By the time he came to write the *Economic Harmonies* Bastiat had made Crusoe a central part of his elaboration of the basic principles of economic action in the chapters on “Capital” (Chap. 7), “Private Property and Common Wealth” (Chap. 8), and most importantly on the very nature of “Exchange” (Chap. 4) itself. What made this work revolutionary and perhaps 100 years ahead of its time was Bastiat’s attempt to radically simplify economic reasoning by cutting it down to the bare bones of one person, and then two, making decisions about how to survive with limited resources and many needs.

Bastiat broke away in *Economic Harmonies* from the classical tradition of focussing on “production” (or wealth creation) or “exchange” or buying and selling goods with money (catallaxy) which had dominated economic thinking since its emergence in the 17th century. Instead, he focussed on working out the basic principles which underlay any “human action” (the phrase occurs 7 times in EH) whose purpose was to satisfy a person’s “needs” (“besoins” - whatever they might be, whether material or non-material) by making certain “efforts” in order to achieve some kind of “satisfaction” (of those needs). One of his key introductory chapters II was entitled “Besoins, Efforts, Satisfactions” which had originally been published in the JDE in September 1848. We can see in this approach that Bastiat was very close to the Misesian and Rothbardian approach to “praxeology” which they developed in the 1940s (Mises) and the 1950s (Rothbard).

Side note: In addition to being a pioneering praxeologist (perhaps even the first) Bastiat was very close to developing a subjective theory of value which was to be the hallmark of the Marginalist school which emerged in the 1870s with the work of Stanley Jevons, Eugen von Böhm-Bawerk, and Carl Menger. Some modern day Austrians think he had a subjective theory of value but I am less sure.^[15] I think he was very close but had not quite thrown off the last remnants of his “objective” theory of value. Although he had given up the notion that exchange involved the exchange of “equal” amounts of something (value for example) he still continued to talk about the exchange of “equivalents”, which was not entirely helpful in clarifying the problem either. If the defining characteristics of the “Austrian” school is praxeology and subjective value theory, then Bastiat was by 1850 more than half-way to being one in my view.

Bastiat’s introduction of first “l’homme isolé” (isolated man, 25 refs) and then RC (16 refs) in the early part of his treatise is very similar to the approach taken by Rothbard in MES which is discussed below. (Curiously, FB makes no use of Friday in *Economic Harmonies* whereas he had in his earliest use of the RC story in his essays). I am convinced that since MNR knew of Bastiat’s work and admired him greatly his use of RC is not a co-incidence but proof of a shared methodological approach to understanding the fundamentals of human action and economic theory. This is how FB defended his use of the isolated man/RC figure in simplifying the problem of understanding economic decision-making by reducing it to certain “axioms” (34 refs), “truisms” (4) or “unassailable truths” about human nature and human action (7). FB’s conclusion was that “Man in isolation is simultaneously a producer and consumer, inventor and entrepreneur, capitalist and worker. All economic phenomena are accomplished in him, and he is so to speak a summary of society” (L’homme isolé est à la fois producteur et consommateur, inventeur et entrepreneur, capitaliste et ouvrier ; tous les phénomènes économiques s’accomplissent en lui, et il est comme un résumé de la société):

English version (LF’s new trans. pp. 66–67 Pages):

When you consider man, his needs, efforts, satisfactions, constitution, leanings or tendencies in general and in an abstract fashion, so to speak, you arrive at a series of observations that appear to be free of any doubt and which are seen to be blindingly obvious, with each carrying its own proof within it. This is so true that the writer is at a loss as to how to present such palpable and widely known truths to the general public, for fear of arousing a scornful smile. It seems to him quite rightly that the annoyed reader will toss aside the book saying, “I will not waste my time being told such trivialities.”

And yet these truths, held so incontrovertible when presented generally that we scarcely allow ourselves to be reminded of them, now appear to be just ridiculous errors and absurd theories when man is observed in a social environment. When considering man in

isolation, who would be tempted to say: “We have overproduction, the ability to consume cannot keep up with the ability to produce; luxury and meretricious tastes are the source of wealth; the invention of machines is wiping out work” and other pithy sayings of the same order which, when applied to humans collectively, nevertheless appear so well established that they are made the basis of our industrial and commercial laws? Trade in this context produces an illusion to which the best honed intellects cannot avoid giving way, and I would propose that political economy will have achieved its goal and fulfilled its mission when it has finally demonstrated the following: What is true for the individual is true for society. Man in isolation is simultaneously a producer and consumer, inventor and entrepreneur, capitalist and worker. All economic phenomena are accomplished in him, and he is so to speak a summary of society. In the same way, the human race, taken as a whole, is a huge, collective and multiple man to whom the truths observed of individuality itself can be applied.

I needed to make this remark, which I hope will be better justified by what follows, before continuing this study of man. Without this, I feared that the reader would reject as unnecessary the inferences and obvious truisms that follow.

French version: Quand on considère d’une manière générale et, pour ainsi dire, abstraite, l’homme, ses besoins, ses efforts, ses satisfactions, sa constitution, ses penchants, ses tendances, on aboutit à une série d’observations qui paraissent à l’abri du doute et se montrent dans tout l’éclat de l’évidence, chacun en trouvant la preuve en soi-même. C’est au point que l’écrivain ne sait trop comment s’y prendre pour soumettre au public des vérités si palpables et si vulgaires, il craint de provoquer le sourire du dédain. Il lui semble, avec quelque raison, que le lecteur courroucé va jeter le livre, en s’écriant : « Je ne perdrai pas mon temps à apprendre ces trivialités. »

Et cependant ces vérités, tenues pour si incontestables tant qu’elles sont présentées d’une manière générale, que nous souffrons à peine qu’elles nous soient rappelées, ne passent plus que pour des erreurs ridicules, des théories absurdes, aussitôt qu’on observe l’homme dans le milieu social. Qui jamais, en considérant l’homme isolé, s’aviserait de dire : La production surabonde ; la faculté de consommer ne peut suivre la faculté de produire ; le luxe et les goûts factices sont la source de la richesse ; l’invention des machines anéantit le travail ; et autres apophthegmes de la même force qui, appliqués à des agglomérations humaines, passent cependant pour des axiomes si bien établis, qu’on en fait la base de nos lois industrielles et commerciales ? L’échange produit à cet égard une illusion dont ne savent pas se préserver les esprits de la meilleure trempe, et j’affirme que l’économie politique aura atteint son but et rempli sa mission quand elle aura définitivement démontré ceci : Ce qui est vrai de l’homme est vrai de la société. **L’homme isolé est à la fois producteur et consommateur, inventeur et entrepreneur, capitaliste et ouvrier ; tous les phénomènes économiques s’accomplissent en lui, et il est comme un résumé de la société.** De même l’humanité, vue dans son ensemble, est un homme immense, collectif, multiple, auquel s’appliquent exactement les vérités observées sur l’individualité même.

J’avais besoin de faire cette remarque, qui, je l’espère, sera mieux justifiée par la suite, avant de continuer ces études sur l’homme. Sans cela, j’aurais craint que le lecteur ne rejetât, comme superflus, les développements, les véritables truismes qui vont suivre. (pp. 72–73 Pages ed.)

In chapter IV “Échange” (Exchange) RC makes his first appearance as an easily recognized example

of the isolated man and in a literary allusion with which Bastiat liked to work. He introduces him thus:

English trans (LF ed. Pages pp. 84–8):

In a novel with a matchless capacity for charming children from one generation to the next, one of the most popular sages has shown man overcoming the difficulties of absolute solitude by his sheer energy industriousness and intelligence. Wishing to cast light on all the resources possessed by this noble creature, he portrayed him, so to speak, as a being accidentally cut off from civilization. A part of Daniel Defoe's plan was thus to cast Robinson Crusoe on the Island of Despair alone, naked and deprived of everything that adds to human powers : collective effort, the division of labor, trade and society itself.

However, and while the obstacles are no more than a diversion for the imagination, Daniel Defoe would have removed from his novel every vestige of verisimilitude if he had been too faithful to the notion that he wanted to develop and had not made obligatory concessions to the social state by accepting that his hero had saved from the shipwreck a few essential objects, provisions, gunpowder, a gun, an axe, a knife, ropes, planks, iron, etc., a clear proof that society is the essential environment for man, since even a novelist is unable to have his character live outside it.

And note that Robinson Crusoe carried with him into solitude another social treasure a thousand times more precious and that the waves were unable to swallow up, I mean his ideas, his memories, his experience, even his language, without which he would not have been able to talk to himself, that is to say, think.

French version: Un des philosophes les plus populaires, dans un roman qui a le privilège de charmer l'enfance de génération en génération, nous a montré l'homme surmontant par son énergie, son activité, son intelligence, les difficultés de la solitude absolue. Voulant mettre en lumière tout ce qu'il y a de ressources dans cette noble créature, il l'a supposée, pour ainsi dire, accidentellement retranchée de la civilisation. Il entraînait donc dans le plan de Daniel de Foë de jeter dans l'île du Désespoir Robinson seul, nu, privé de tout ce qu'ajoutent aux forces humaines l'union des efforts, la séparation des occupations, l'échange, la société.

Cependant, et quoique les obstacles ne soient qu'un jeu pour l'imagination, Daniel de Foë aurait ôté à son roman jusqu'à l'ombre de la vraisemblance, si, trop fidèle à la pensée qu'il voulait développer, il n'eût pas fait à l'état social des concessions obligées, en admettant que son héros avait sauvé du naufrage quelques objets indispensables, des provisions, de la poudre, un fusil, une hache, un couteau, des cordes, des planches, du fer, etc. ; preuve décisive que la société est le milieu nécessaire de l'homme, puisqu'un romancier même n'a pu le faire vivre hors de son sein.

Et remarquez que Robinson portait avec lui dans la solitude un autre trésor social mille fois plus précieux et que les flots ne pouvaient engloutir, je veux parler de ses idées, de ses souvenirs, de son expérience, de son langage même, sans lequel il n'aurait pu s'entretenir avec lui-même, c'est-à-dire penser.

Nous avons la triste et déraisonnable habitude d'attribuer à l'État social les souffrances dont nous sommes témoins. Nous avons raison jusqu'à un certain point, si nous entendons comparer la société à elle-même, prise à deux degrés divers d'avancement et de perfection ; mais nous avons tort, si nous comparons l'État social, même imparfait, à

l'isolement. Pour pouvoir affirmer que la société empire la condition, je ne dirai pas de l'homme en général, mais de quelques hommes et des plus misérables d'entre eux, il faudrait commencer par prouver que le plus mal partagé de nos frères a à supporter, dans l'État social, un plus lourd fardeau de privations et de souffrances que celui qui eût été son partage dans la solitude. Or, examinez la vie du plus humble manouvrier. Passez en revue, dans tous leurs détails, les objets de ses consommations quotidiennes. ... (pp. 91–92 Pages ed.)

It seems odd that Bastiat would bring RC into the picture in a chapter devoted ostensibly to “Exchange” since one of the defining characteristics of RC before he met Friday was that there was no possibility of any exchange, only personal and private activities of various kinds. However, Bastiat has a reason which is that the elements of interpersonal exchange and the division of labour are still present in the actions even of the isolated man.

English trans (LF Pages ed. pp. 114–15):

Fatal illusions that arise from exchange. One such is that exchange is constitutive of society. Economic truth is the complete view and economic error the incomplete view of exchange.

If men did not trade, each economic phenomenon would be accomplished individually and it would be very easy for us to note its good and bad effects through observation.

However, exchange has led to the division of labor, in common parlance the establishment of professions and trades. Each service (or each product) therefore has two relationships, one with the person providing it and the other with the one receiving it.

Doubtless, at the end of his development, man in society, like man in isolation, is both producer and consumer. However, you have to see the difference between these clearly. Man in isolation is nevertheless the producer of the item even if he consumes it. This is almost never so for the man living in society. This is an incontrovertible fact, and one that each of us can check out in his own case. Besides, this results from the fact that society is made up of exchanges of services.

We are all producers and consumers, not of a product but of the value we have produced. While exchanging objects we always remain the owners of their value.

It is from this that all illusions and economic errors arise. It is certainly not superfluous to point out at this juncture the way the human mind works in this connection.

The general term obstacle can be given to everything that comes between our needs and our satisfactions, and which stimulates the intervention of our effort.

The relationship between these four elements, need, obstacle, effort and satisfaction are perfectly visible and understandable in men living in isolation.

French version:

Fatales illusions qui naissent de l'échange. — L'échange, c'est la société. Par conséquent, la vérité économique c'est la vue complète, et l'erreur économique c'est la vue partielle de l'échange.

Si l'homme n'échangeait pas, chaque phénomène économique s'accomplirait dans

l'individualité, et il nous serait très-facile de constater par l'observation ses bons et ses mauvais effets.

Mais l'échange a amené la séparation des occupations, et, pour parler la langue vulgaire, l'établissement des professions et des métiers. Chaque service (ou chaque produit) a donc deux rapports, l'un avec celui qui le livre, l'autre avec celui qui le reçoit.

Sans doute, à la fin de l'évolution, l'homme social, comme l'homme isolé, est tout à la fois producteur et consommateur. Mais il faut bien voir la différence. L'homme isolé est toujours producteur de la chose même qu'il consomme. Il n'en est presque jamais ainsi de l'homme social. C'est un point de fait incontestable, et que chacun peut vérifier sur soi-même. Cela résulte d'ailleurs de ce que la société n'est qu'échange de services.

Nous sommes tous producteurs et consommateurs non de la chose, mais de la valeur que nous avons produite. En échangeant les choses, nous restons toujours propriétaires de leur valeur.

C'est de cette circonstance que naissent toutes les illusions et toutes les erreurs économiques. Il n'est certes pas superflu de signaler ici la marche de l'esprit humain à cet égard.

On peut donner le nom général d'obstacles à tout ce qui, s'interposant entre nos besoins et nos satisfactions, provoque l'intervention de nos efforts.

Les rapports de ces quatre éléments : besoin, obstacle, effort, satisfaction, sont parfaitement visibles et compréhensibles dans l'homme isolé. (pp. 121–22 Pages ed.)

One could multiply examples like these of FB's use of the RC figure to establish the foundations of his theory of human action and economics but I think the point has been made. In summary FB used the figure of RC to discuss his ideas about:

- the importance of knowledge
- time preference, e.g. the problems of tool making to increase output in the long run
- that the individual is both a consumer and a producer at the same time
- that individual are rational creatures who wish to economise on their scarce resources such as time and labour
- the importance of accumulating capital (stock of goods) to satisfy future needs
- the nature of opportunity costs when faced with alternate uses for a given good

One can see that in both content and method FB was developing economic ideas which were very similar to those of Mises and Rothbard and justify my claim that FB was already a practicing praxeologist and a precocious proto-Austrian theorist.

Crusoe Economics after Bastiat (incomplete)

Bastiat's pioneering efforts were not appreciated at the time, even by William Stanley Jevons who was the most sympathetic to Bastiat of all the Marginalists writing after 1870.

(add section on Henry Carey: some interest and he cited RC frequently in the 1830s)

(add section on Karl Marx: dismissive of all the classical economists who made passing reference to

RC)

the original members of the Marginalist school:

- William Stanley Jevons
- Carl Menger
- Léon Walras

the next important member of the Austrian school: Böhm-Bawerk

Henry Carey (to come)

abc

Karl Marx (to come)

abc

William Stanley Jevons

It is curious that the other members of the Marginalist school and the first generation of the Austrian school of economics did not seem appreciate Bastiat's use of the RC figure for the development of praxeological thinking about human action and economics.

For example, William Stanley Jevons mention Robinson only once and that was in the second edition of his *Theory of Political Economy* (1879). In the first edition of 1871 there was none. In the revised second edition there is a throw-away reference to him in a general discussion of value:

Thus I am led to think that the word value is often used in reality to mean intensity of desire or esteem for a thing. A silver ornament is a beautiful object apart from all ideas of traffic; it may thus be valued or esteemed simply because it suits the taste and fancy of its owner, and is the only one possessed. Even Robinson Crusoe must have looked upon each of his possessions with varying esteem and desire for more, although he was incapable of exchanging with any other person.[\[16\]](#)

Even after admitting that RC might engage in evaluating the things he has in order to economise on their use, Jevons drops him immediately since RC engages in no exchanges with others, and is thus uninteresting from an economic point of view. earlier, in a letter to his sister Lucy (1858) Jevons dismissed the novel *Robinson Crusoe* as an “amusing but childish fiction” which did not come close to the more “singular and interesting” events going on at that time in “The Islands” (i.e. Polynesia).[\[17\]](#)

Carl Menger

Menger also mentions Robinson once in a throw-away paragraph on the problems faced by “das Subjekt des isolierte Wirtschaft” (the subject of the isolated economy), “unser Robinson” (our Robinson), when calculating the marginal value of getting another measure of water from a well, given his very limited needs. pp. 102–3.

Friedrich von Wieser

Nothing about RC in *Éléments d'économie politique pure* (1874)

In *Études d'économie sociale* (1896) there is one throw-away reference where he dismisses the usefulness of discussing isolated man or economy entirely as they are an exceptional case with little bearing on his real interest which is “notre état social économique” (our social economic state):

“Gossen et M. Jevons supposent toujours plus ou moins un individu ou un groupe d'individus qui, tantôt avec du travail seul, tantôt avec du travail associé à de la terre, tantôt avec du travail associé à du capital, confectionnent des produits; et ils recherchent, le plus souvent avec beaucoup d'ingéniosité et de bonheur, les conditions mathématiques de la production déterminées par l'obtention du maximum de plaisir avec le minimum de peine. Eh bien, je ne crois pas, pour ma part, que ces études, quelque ingénieuses et heureuses qu'elles soient, présentent un intérêt définitif et fécond parce que je considère l'hypothèse à laquelle elles se rapportent comme une hypothèse singulière, exceptionnelle, en dehors du cas général. Les choses se passent ainsi pour Robinson dans son île; peut-être se passent-elles encore ainsi dans l'état isolé ou primitif; elles ne se passent pas ainsi, je ne dirai pas dans notre état social économique, mais dans l'état social économique abstrait et idéal qui est celui dont l'économie politique pure fait la théorie.” (p. 363)

Robinson Crusoe and the Marginalists: Böhm-Bawerk

Böhm-Bawerk used “Crusoe economics” to some extent in his writings on the theory of capital but did not recognize Bastiat's contributions to economic theory and dismissed his work generally as unimportant. Ludwig von Mises, while recognizing the greatness of Bastiat as an economist, nevertheless referred to Robinson Crusoe only in passing and usually derogatively as being part of an “autistic” economy or as facing the same problems as socialist central planners in not having price information to help him make economic decisions.

In his *Capital and Interest* Böhm-Bawerk mentions RC only as he attacks Henry Carey's use of RC stories in his theory of interest. In *The Positive Theory of Capital* Böhm-Bawerk has an extended treatment of the difficulties faced by RC in the formation of capital. Unlike Bastiat, who thinks RC does have considerable capital when cast ashore on the island, namely human capital and the ideas he brought with from the civilisation he left behind, BB states that:

To put the matter, first of all, in its simplest conceivable terms. Suppose a recluse working absolutely without capital—say some Robinson Crusoe thrown on a lonely shore without either tools or weapons. Being without capital he must at first support life in the most primitive fashion, as, for instance, by gathering berries which grow wild. Now what must happen before he can get possession of his first capital, say a bow and arrow? [\[18\]](#)

Ultimately BB concludes that in his current impoverished state RC has to work so hard just trying to replenish his stock of goods and capital that he cannot move much beyond his current state, and furthermore lacks “the suitable intermediate products—axes, nails, braces” to go to the next stage of physical comfort and prosperity. He therefore dismisses the whole of idea of “Robinsonades” as being of any use to economists:

All this is quite clear and simple; indeed it is even a little too simple for our purpose. Robinsonades and pictures of primitive circumstances are very good when the object is to present clearly the simplest typical principles—to give a kind of skeleton of economical procedure,—and to that extent, I trust, our Robinsonade also has done good service. But, naturally, they cannot give us an adequate picture of those peculiar and developed forms

in which this skeleton clothes itself in the living actuality of a modern economic community. And it is just at this point that it becomes important to fill out the abstract formula with explanation and illustration taken from life. We shall, therefore, leave the lonely shore of our Crusoe, and come to the industrial conduct of a great nation with its millions of people.[\[19\]](#)

Thus the innovative work done by Bastiat in rethinking the whole project of economic theory and basing it upon praxeological lines, as exemplified by the use of RC was ignored or ridiculed by the first generation of Marginalist school economists who rose to prominence in the 1870s (William Stanley Jevons, Carl Menger, and Léon Walras), as well as by the first generation of Austrian economists (Carl Menger and Böhm-Bawerk). His work would not be recognised until the 1940s and 1950s when Ludwig von Mises and Murray Rothbard rediscovered the early “praxeological Bastiat.”

Robinson Crusoe in the Work of Mises and Rothbard: the “Wertfrei”, Praxeological Crusoe

Mises on Robinson Crusoe

Rothbard’s mentor, Ludwig von Mises, was certainly aware of the work of Bastiat and mentions him several times in his writings, calling his essay WSWNS “brilliant” in his lecture on “Freedom in Society” (1959).[\[20\]](#) Mises also used the “Gedankenbegriff” (imaginary constructions or thought experiments) using Robinson Crusoe from time to time but not the same way in which Bastiat did, or as Rothbard was to later. Mises still used the RC story much the same way other economists did, namely to show the economic problems faced by solitary figures where there was no opportunity to trade with others or engage in the division of labour. In his early breakthrough work, *The Theory of Money and Credit* (1912), Mises first referred briefly to RC as an example of the “isolated household in which there is neither buying nor selling” but where there continues to be changes in the stocks of goods whose best use must be constantly re-assessed whether it would be for personal use or sale to others:

But modern value theory has a different starting point. It conceives of value as the significance attributed to individual commodity units by a human being who wishes to consume or otherwise dispose of various commodities to the best advantage. Every economic transaction presupposes a comparison of values. But the necessity for such a comparison, as well as the possibility of it, is due only to the circumstance that the person concerned has to choose between several commodities. It is quite irrelevant whether this choice is between a commodity in his own possession and one in somebody else’s possession for which he might exchange it, or between the different uses to which he himself might put a given quantity of productive resources. In an isolated household, in which (as on Robinson Crusoe’s desert island) there is neither buying nor selling, changes in the stocks of goods of higher and lower orders do nevertheless occur whenever anything is produced or consumed; and these changes must be based upon valuations if their returns are to exceed the outlay they involve. The process of valuation remains fundamentally the same whether the question is one of transforming labor and flour into bread in the domestic bakehouse, or of obtaining bread in exchange for clothes in the market. From the point of view of the person making the valuation, the calculation whether a certain act of production would justify a certain outlay of goods and labor is exactly the same as the comparison between the values of the commodities to be surrendered and the values of the commodities to be acquired that must precede an

exchange transaction. For this reason it has been said that every economic act may be regarded as a kind of exchange.[21]

Mises then ignored RC until his German-language edition of his Treatise, *Nationalökonomie* (1940), appeared in 1940 while he was in exile in Switzerland during WW2. He defended the use of the RC story by economists from the criticisms of “Sozialisten, Etatisten, Institutionalisten und Vertreter der historischen Schule” (socialists, statisticians, institutionalists, and representatives of the Historical School) who condemned it as “ahistorical” and worthless for understanding how economies functioned.[22] Mises argued that the socialists didn’t understand the nature of praxeology or the role that “fictions” like the RC story played in elucidating essential economic problems faced by all individuals. These “Gedankengebilde” were invented by theorists in order to “das Denken und Durchdenken der Probleme” (think about and think through economic problems). [*Nationalökonomie*, p. 234] In a nice ironic twist, Mises reminds the reader that individuals like RC actually have existed (in this case Selkirke on whom the RC story was originally based) whereas the socialists’ dream of a productive and well-run socialist economy never has and never could exist. Socialism was the true Fiction, not the RC story:

Die Idee der einfachen Wirtschaft ist ein Gedankengebilde, das für das Denken und Durchdenken der Probleme geschaffen wurde. Wenn man es benützt, will man nicht etwa behaupten, dass es solches Wirtschaften tatsächlich geben konnte. [1] Wenn wir Robinson, den es immerhin gegeben haben mag, und den Generaldirektor des isolierten sozialistischen Gemeinwesens, den es nie gegeben hat, so denken und handeln lassen, wie sie nur denken und handeln konnten, wenn sie die allein der Marktwirtschaft eigene Wirtschaftsrechnung als geistiges Werkzeug benutzen konnten, sind wir uns darüber klar, dass wir mit einer Fiktion arbeiten. Ob und zu welchen Zwecken wir uns dieser Fiktion bedienen dürfen, ist eine Frage, die man nicht ohne Eingehen auf jeden einzelnen Fall ihrer Anwendung entscheiden kann.

[1] Da wir es hier mit Theorie und nicht mit Geschichte zu tun haben, können wir darauf verzichten, alle Einwendungen, die man gegen die Verwendung des Begriffes «isolierter Wirt» vorbringt, einfach mit dem Hinweis auf die Rolle zu erledigen, die die geschlossene Hauswirtschaft in der Geschichte gespielt hat.[23]

The other perceptive use of RC by Mises was his argument that any producer of any kind was in essence a “capitalist” and “speculator” who made plans for the future and had to produce in a “capitalistic” fashion by balancing current needs, stocks of goods in hand, and the possibilities of future production. This applied to the “Urfischer und Urjäger” (the original fisherman and hunter) and RC, who had to produce “Netze, Boote, Keulen oder Spaten” (nets, boats, clubs, spades) in order to increase their output, as well as to anybody engaged in producing goods in a socialist economy.

Die Produktion in der Marktwirtschaft ist nur ein Sonderfall eines allgemeineren Produktionsbegriffes, der für jede denkbare Gestaltung der Produktion gilt; von Realkapital und kapitalistischer Produktion konnte man somit in Hinsicht auf jede Produktion sprechen. Auch die Urfischer und Urjäger und auch Robinson wirtschaften « kapitalistisch », sobald sie Netze, Boote, Keulen oder Spaten verwenden, und auch eine sozialistische Wirtschaft müsste in diesem Sinne « kapitalistisch » produzieren.[24]

In the English language, expanded version of this treatise, *Human Action* (1949), Mises reworked many of these same passages and added other references to RC in his discussion of “the imaginary

construction of an evenly rotating system (where) nobody is an entrepreneur and speculator". See for example:

Socialists, Institutionalists and the Historical School have blamed economists for having employed the imaginary construction of an isolated individual's thinking and acting. This Robinson Crusoe pattern, it is asserted, is of no use for the study of the conditions of a market economy. The rebuke is somewhat justified. Imaginary constructions of an isolated individual and of a planned economy without market exchange become utilizable only through the implication of the fictitious assumption, self-contradictory in thought and contrary to reality, that economic calculation is possible also within a system without a market for the means of production.

It was certainly a serious blunder that economists did not become aware of this difference between the conditions of a market economy and a non-market economy. Yet the socialists had little reason for criticizing this fault. For it consisted precisely in the fact that the economists tacitly implied the assumption that a socialist order of society could also resort to economic calculation and that they thus asserted the possibility of the realization of the socialist plans.[\[25\]](#)

And:

No other imaginary construction has caused more offense than that of an isolated economic actor entirely dependent on himself. However, economics cannot do without it. In order to study interpersonal exchange it must compare it with conditions under which it is absent. It constructs two varieties of the image of an autistic economy in which there is only autistic exchange: the economy of an isolated individual and the economy of a socialist society. In employing this imaginary construction the economists do not bother about the problem of whether or not such a system could really work. They are fully aware of the fact that their imaginary construction is fictitious. Robinson Crusoe, who, for all that, may have existed, and the general manager of a perfectly isolated socialist commonwealth that never existed, would not have been in a position to plan and to act as people can only when taking recourse to economic calculation. However, in the frame of our imaginary construction we are free to pretend that they could calculate whenever such a fiction may be useful for the discussion of the specific problem to be dealt with.[\[26\]](#)

However, Mises did not recognize the full potential of the RC story in exploring the theory of praxeology, that the choices faced by RC could be abstracted away from his difficult and perhaps historical circumstances of being alone on an island, and turned into a more complete praxeological account of the theory of human action. It was not until Murray Rothbard reworked the fundamentals of Austrian economic theory during the 1950s under contract by the William Volker Fund to produce a more accessible textbook version of Mises' *Human Action* (which appeared as *Man, Economy, and State* (1962)) that Bastiat's version of Crusoe economics was made the centre-piece for understanding the fundamentals of human action in the first three chapters of his treatise. The originality of Rothbard was to see how the Gedankenbegriff of the RC story could be combined with Misesian praxeology in order to put Austrian economic theory on a sounder footing.

Kirzner on RC (incomplete)

(add section on Kirzner's view of RC as an entrepreneur)

Rothbard on the Wertfrei “economic” Robinson Crusoe

Perhaps because Rothbard was contracted to write a “textbook” version of *Human Action* which would be more suitable for college students, he decided to begin his book with the RC story rather than the heavier, Teutonic theoretical approach used by Mises. Rothbard must have known about Mises’ use of RC in *Nationalökonomie* and *Human Action* from his attendance at Mises’ seminar at NYU in the early 1950s. He would also have known about Bastiat’s use of RC in *Economic Harmonies* as he and Leonard Liggio began exploring the rich French classical liberal tradition together as a result of their activities in the “Circle Bastiat” discussion group. LPL would begin but not finish a PhD on the work of Charles Dunoyer, whom Bastiat admired very much, and Murray and Joey Rothbard gave LPL a copy of Dunoyer’s major work *De la liberté du travail* (1845) as a graduation present. MNR must also have known about Bastiat’s very great skill in popularizing economic ideas and his clever use of literature in doing so. Thus, a marriage of Mises and Bastiat was an obvious choice for Rothbard to arrange.

Rothbard began his textbook/treatise very much in the Misesian mould as Wertfrei (value-free) theoretical, scientific analysis of human economic behaviour. As I will later argue, this was transformed during the 1970s as MNR was working on his major work in political philosophy, *The Ethics of Liberty* (1982), into a “value-laden” or Wertvoll defence of private property, individual liberty, and anarcho-capitalist political theory. In the preface to MES MNR explains his theoretical approach as follows, firmly placing the RC story in the central position:

The present work deduces the entire corpus of economics from a few simple and apodictically true axioms: the Fundamental Axiom of action—that men employ means to achieve ends, and two subsidiary postulates: that there is a variety of human and natural resources, and that leisure is a consumers’ good. Chapter 1 begins with the action axiom and deduces its immediate implications; and these conclusions are applied to “Crusoe economics” — that much maligned but highly useful analysis that sets individual man starkly against Nature and analyzes his resulting actions. Chapter 2 introduces other men and, consequently, social relations. Chapter 2 introduces other men and, consequently, social relations. Various types of interpersonal relations are analyzed, and the economics of direct exchange (barter) is set forth. Exchange cannot be adequately analyzed until property rights are fully defined—so chapter 2 analyzes property in a free society. Chapter 2, in fact, marks the beginning of the body of the book—an analysis of the economics of voluntary exchange. Chapter 2 discusses the free market of barter, and the subsequent chapters treat the economics of indirect—or monetary—exchange. Thus, analytically, the book deals fully with the economics of the free market, from its property relations to the economics of money.[\[27\]](#)

Given the importance of MNR’s opening two chapters (which take up about 160 pages) - “Fundamentals of Human Action” and “Direct Exchange” - an enormous theoretical weight is going to be placed on RC’s shoulders. An indication of RC’s importance can be gauged by the fact that MNR’s uses RC’s name 113 times in the first two chapters. RC is introduced just before Chap. 1, section 8 on “Factors of Production: Labor vs. Leisure” and the problem of his lack of the factors of production (such as capital, but not perhaps knowledge) and how he plans to choose between increasing his supply of capital goods or his expenditure of labor, and the marginally utility of doing one or the other. He then is faced with other decisions such as the best length of the production process given his circumstances, how much to work and how much leisure he should take, how much time should he spend on making capital goods (such as a digging stick), how should he plan for the future (especially if he has perishable goods like berries), where is the best place to locate his house, and so on. Only

after he has discussed these problems faced by RC on his island that MNR introduces an Appendix in which he introduces more formally the idea of Praxeology" as such.

In Chap. 2 MNR introduces the added complexity of interactions between individual human beings, beginning with the problem of violence (which is perhaps unique in (non-Marxist?) economic thinking). He brings another human into the picture whom he calls interestingly "Jackson" (not Friday).^[28] I may be wrong, but the name Jackson seems to be a common African-American name and MNR's choice of this name raises some interesting questions about the history of European interactions with people from other continents.^[29] (Or another President's name like "Polk" or "Johnson"??). MNR discusses RC's options in either killing Jackson, enslaving him (what he calls a "hegemonic" relation), or cooperating with him for mutually beneficial trade. After a brief discussion of RC's enslavement of Jackson, MNR introduces two other characters into his praxeological tale, Smith and Jones (or "Alas Smith and Jones" if you remember the British TV comedy show of that name), in order to demonstrate the benefits of trade in a completely unhampered market economy. The intrusion of Smith and Jones into the story is quite brief and a bit jarring (two more characters are introduced later, the horse owning "Johnson" is introduced a bit later in the discussion of "value scale", and the fisherman Brown). One wonders why MNR did this. He is not a naturally talented literary or comic writer as Bastiat was although his best effort in this area was his Rand-mocking mini-opera "Mozart was a Red" which ridiculed Randian aesthetic tastes. In the next section "3. Exchange and the Division of Labor" MNR brings back RC and Jackson onto the stage of his little drama in order to discuss the benefits of the specialization of labour - in this case RC is a skilled farmer and Jackson a skilled hunter of game - and then the law of comparative advantage. The next step is for MNR to bring the two different camps together into an economic "ménage à trois" in which RC, Jackson, and Smith cooperate and divide the difficult task of clearing their fields of "logs" (MNR uses the word "logs" not trees as he wants to have a play of words in the phrase co-operative "log-rolling").

Now that there is a little community of 5 actors in his economic play, RC, Jackson, Smith, Brown, Johnson (Jones seems to have disappeared), MNR can have a functioning market where an equilibrium price can be established for fish and horses with competing sellers and buyers, and the idea of sloping demand and supply curves is introduced, along with the notion of "stocks" of horses and fish, and then credit and notes of exchange (three new characters are introduced: Harrison the gold mine owner, Peters the creditor, Green the warehouse owner (banker?), Williams ??). Gradually, as MNR increases the sophistication of his arguments, the figures of RC, Jackson, Brown, and Johnson disappear from the stage and we have returned to the more anonymous "buyers" and "sellers" who populate economic textbooks. It seems that after nearly 200 hundred pages, RC has done his job and can be safely retired (though not completely as he makes cameo appearances occasionally throughout the rest of the book, and only 9 times in the sequel *Power and Market* (1970)).

Rothbard on the Wertvoll "political" Robinson Crusoe

Twenty years after the appearance of MES Rothbard again made Crusoe the foundation of his thinking in *The Ethics of Liberty* (1982) his major work of political theory. Again in the Preface he stated the purpose of his methodology in using RC as the foundation of his ethical theory for liberty. The quote is a long one but it clearly establishes the lines connecting his economic theory and his political theory, and the tension which I think exists in his claims to be value free (or at least partially in his more "scientific" economic theory):

All of my work has revolved around the central question of human liberty. For it has been my conviction that, while each discipline has its own autonomy and integrity, in the final

analysis all sciences and disciplines of human action are interrelated, and can be integrated into a “science” or discipline of individual liberty. In particular, my *Man, Economy, and State* (2 vols., 1962) set forth a comprehensive analysis of the free-market economy; while the analysis was praxeologic and value-free, and no political conclusions were directly upheld, the great virtues of the free market and the evils of coercive intervention into that market were evident to the discerning reader. The sequel to that work, *Power and Market* (1970), carried the analysis of *Man, Economy, and State* further in several ways: (a) a systematic analysis of the types of government intervention in the economy clearly shows the myriad of unfortunate consequences of such intervention; (b) for the first time in modern political economic literature, a model was outlined of the way in which a totally stateless and therefore purely free (or anarchistic) market economy could function successfully; and (c) a praxeological and therefore still value-free critique was conducted of the lack of meaningfulness and consistency of various types of ethical attacks on the free market. The latter section moved from pure economics to ethical criticism, but it remained within the bounds of value-freedom, and thus did not attempt a positive ethical theory of individual liberty. Yet, I was conscious that the latter task needed almost desperately to be done, for, as will be seen further in this work, I at no time believed that value-free analysis or economics or utilitarianism (the standard social philosophy of economists) can ever suffice to establish the case for liberty. Economics can help supply much of the data for a libertarian position, but it cannot establish that political philosophy itself. Political judgments are necessarily value judgments, political philosophy is therefore necessarily ethical, and hence a positive ethical system must be set forth to establish the case for individual liberty. ...

It was furthermore clear to me that no one was engaged in trying to fill this crying need. For one thing, until very recently in this century there have been virtually no libertarian political philosophers. And even in the far more libertarian nineteenth century, only Herbert Spencer’s great *Social Statics* (1851) set forth a thorough and systematic theory of liberty. In *For A New Liberty* (1973), I was able for the first time to put forward at least the brief outlines of my theory of liberty, and also [xlvi] to expound and defend the “anarcho-capitalist” political creed far more substantially than in *Power and Market*. But *For A New Liberty* was more popular than scholarly, and it concentrated mainly on the application of the libertarian creed to the important social and economic problem areas in American society. The great need for a systematic theory of liberty still remained.

The present work attempts to fill this gap, to set forth a systematic ethical theory of liberty. It is not, however, a work in ethics per se, but only in that subset of ethics devoted to political philosophy. Hence, it does not try to prove or establish the ethics or ontology of natural law, which provide the groundwork for the political theory set forth in this book. Natural law has been ably expounded and defended elsewhere by ethical philosophers. And so Part I simply explains the outlines of natural law which animates this work, without attempting a full-scale defense of that theory.

Part II is the substance of the work itself, setting forth my theory of liberty. **It begins, as the best economic treatises have done, with a “Crusoe” world, except that the condition and actions of Crusoe are here analyzed not in order to establish economic concepts, but rather those of natural-rights morality-in particular, of the natural sphere of property and ownership, the foundation of liberty. The Crusoe model enables one to analyze the action of man vis-a-vis the external world around him, before the complications of interpersonal relations are considered.** (emphasis

added)[30]

We already had an inkling of how MNR might use RC in the area of political theory in the first part of Chap. 2 in MES where he deals with “Types of Personal Action: Violence” under the category of “hegemonic” relations, such as slavery and other forms of compulsory labour; and then in Section 12 “Property: The Appropriation of Raw Land” and 13. “Enforcement against Invasion of Property”. Both these sections seem to me to be examples of MNR straying outside of the realm of pure “wertfrei” scientific economics and into the more morally-laden (Wertvoll) domain of political economy. (Not that I think this is a bad thing). And once again, MNR expects the RC story to do a considerable amount of heavy theoretical lifting, in this case in providing not just the foundations of economics itself, but also his theory of “natural-rights morality - in particular, of the natural sphere of property and ownership, the foundation of liberty”, and one might add, the foundations of MNR’s unique contribution to political economy his theory of anarcho-capitalism itself.

Rothbard begins Part II “A Theory of Liberty” with three short chapters on “A Crusoe Social Philosophy”, “Interpersonal Relations: Voluntary Exchange”, and “Interpersonal Relations: Ownership and Aggression” in which RC plays a vital role. MNR is more consistent in his use of RC, and Friday has replaced “Jackson” as RC’s sidekick. He has also reduced the number of other characters in story to a handful such as Jones, Johnson, Robbins, Polk - although the Hohenzollerns and Bourbons also make a cameo appearance at one stage. In the opening paragraph of “A Crusoe Social Philosophy” MNR again defends the use of the figure of RC to establish the theoretical foundations of his theory:

One of the most commonly derided constructions of classical economic theory is “Crusoe Economics,” the analysis of an isolated man face-to-face with nature. And yet, this seemingly “unrealistic” model, as I have tried to demonstrate elsewhere, has highly important and even indispensable uses. It serves to isolate man as against nature, thus gaining clarity by abstracting at the beginning from interpersonal relations. Later on, this man/nature analysis can be extended and applied to the “real world.” The bringing in of “Friday,” or of one or more other persons, after analysis of strictly Robinsonian isolation, then serves to show how the addition of other persons affects the discussion. These conclusions can then also be applied to the contemporary world. Thus, the abstraction of analyzing a few persons interacting on an island enables a clear perception of the basic truths of interpersonal relations, truths which remain obscure if we insist on looking first at the contemporary world only whole and of a piece.

If Crusoe economics can and does supply the indispensable groundwork for the entire structure of economics and praxeology - the broad, formal analysis of human action - a similar procedure should be able to do the same thing for social philosophy, for the analysis of the fundamental truths of the nature of man vis-a-vis the nature of the world into which he is born, as well as the world of other men. Specifically, it can aid greatly in solving such problems of political philosophy as the nature and role of liberty, property, and violence.

Let us consider Crusoe, who has landed on his island, and, to simplify matters, has contracted amnesia. What inescapable facts does Crusoe confront? ... [31]

MNR then proceeds to show the reader how RC acquires knowledge about the natural world and the laws of its operation, as well as his own nature, which upon introspection, inevitably leads him to the realisation that he is a self-owner:

The individual man, in introspecting the fact of his own consciousness, also discovers the primordial natural fact of his freedom: his freedom to choose, his freedom to use or not use his reason about any given subject. In short, the natural fact of his “free will.” He also discovers the natural fact of his mind’s command over his body and its actions: that is, of his natural *ownership* over his self (p. 31).

By further reflection and interaction in the world RC develops a Kantian notion of having free will; an understanding of the value of life and the need to produce things in order to maintain it; and that “the preservation and furtherance of one’s life takes on the stature of an incontestable axiom.” The next step for RC is to discover that he can and must acquire unowned resources (such as land) in order to survive and in doing so becomes a Lockean “mixer of labour” and thus a property owner. So, in the course of a short 5 pages RC has gone from being a hapless castaway on his Island of Despair to a natural rights, Lockean self-owner and external property owner.

In the next and subsequent chapters MNR reintroduces Friday for a discussion of “interpersonal relations” and the bud of Rothbardian anarcho-capitalist theory is about to fully bloom with RC’s and Friday’s assistance.

Conclusion

This brief discussion reveals the important role the story of Robinson Crusoe has played in the development of Austrian economics in general and in the moral and political theory of at least one important group within the modern libertarian movement, namely the followers of Murray Rothbard. Only one other theorist to my knowledge has taken up Rothbard’s insights and use of RC into their own work and that is Hans-Hermann Hoppe.[\[32\]](#)

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17. *Letters and Journal of W. Stanley Jevons*, ed. Harriet A. Jevons (Macmillan, 1886), p. 104. To his sister Lucy. 9th July 1858. “ ... I have then plenty to do with assaying, photography, botany, and preparations for my travels, to occupy five months more, so that I expect the time will pass very quickly. ... In working up the climate of Australia I have read a great many books of voyages and expeditions, and take quite a romantic view of wild primeval forests and cannibal blacks. *Robinson Crusoe*, *The Swiss Family Robinson*, and *Masterman Ready* I used to think amusing but childish fiction, yet the true incidents which happen in Australia or the ‘Islands’ (by which we here denote Polynesia), are quite as singular and interesting, minus a little of the *couleur de rose*. England must be a very prosy conventional place, where there is no square yard that ‘the foot of white man has not crossed,’ and where the aboriginals were exterminated some 2000 years ago.” ↩
18. Eugen von Böhm-Bawerk, *The Positive Theory of Capital*, trans. William A. Smart (London: Macmillan and Co., 1891). http://oll.libertyfund.org/titles/283#Boehm-Bawerk_0183_223 ↩
19. Böhm-Bawerk, *The Positive Theory of Capital*, http://oll.libertyfund.org/titles/283#Boehm-Bawerk_0183_235. ↩
20. Ludwig von Mises, *Economic Policy: Thoughts for Today and Tomorrow, Edited and with an Introduction by Bettina Bien Greaves* (Indianapolis: Liberty Fund, 2010). <http://oll.libertyfund.org/titles/2395>. “Freedom in Society” http://oll.libertyfund.org/titles/2395#Mises_EconomicPolicy1540_115. This was part of a series of lectures Mises delivered in Argentina in 1959. ↩
21. “CHAPTER 2: On the Measurement of Value. 1: The Immeasurability of Subjective Use-Values” in Ludwig von Mises, *The Theory of Money and Credit*, trans. H.E. Batson (Indianapolis: Liberty Fund, 1981). http://oll.libertyfund.org/titles/1061#Mises_0070_61. ↩
22. Mises, *Nationalökonomie: Theorie des Handelns und Wirtschaftens* (Geneva: Editions Union Genf, 1940), p. 194. ↩
23. Mises, *Nationalökonomie*, p. 234. ↩
24. Mises, *Nationalökonomie*, p. 254. ↩
25. “The Theory of Value and Socialism↩,” in Ludwig von Mises, *Human Action: A Treatise on Economics*, in 4 vols., ed. Bettina Bien Greaves (Indianapolis: Liberty Fund, 2007). Vol. 1. http://oll.libertyfund.org/titles/1893#Mises_3843-01_772 ↩
26. “The Autistic Economy,” in Ludwig von Mises, *Human Action: A Treatise on Economics*, in 4 vols., ed. Bettina Bien Greaves (Indianapolis: Liberty Fund, 2007). Vol. 2.

http://oll.libertyfund.org/titles/1894#lf3843-02_label_299. ↩

27. Preface, p. lvi, in Rothbard, *Man, Economy and State: A Treatise on Economic Principles, with Power and Market: Government and the Economy. Second Edition. Scholar's Edition* (Auburn, Alabama: Ludwig von Mises Institute, 2009). ↩
28. MNR is not consistent in his use of Jackson as a replacement for Friday, as the latter does surface in “Chap. 10. Monopoly and Competition. E. Free Competition and Cartels” ↩
29. Bastiat does something similar in his use of RC as the “advanced” European protectionist who clashes with the free trading “primitive” Friday in an amusing switching of roles. ↩
30. Rothbard, “Preface” to *The Ethics of Liberty*, p. v-vi. ↩
31. MNR, *Ethics*, p. 29. ↩
32. Hans-Hermann Hoppe, “Rothbardian Ethics,” pp. 381–97, in *The Economics and Ethics of Private Property: Studies in Political Economy and Philosophy. Second Edition*. (Auburn, Alabama: Ludwig von Mises Institute, 2006; 1st ed. 1993). ↩