Errata

"Austrian Theorizing: Recalling the Foundations"
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The omission occurs on p. 28, nine lines below figure 2. Line nine now reads:

direction towards [BEGIN HERE] which an economy is moving. It is well understood that the end point is never reached in any realistic setting, for before it can even be approached, something else changes, with reverberations all throughout the system. Not for Austrians is there this endless concern with what is or it not true at equilibrium, in nauseating detail. Thus, were we never to arrive at a precise equilibrium point, this would not even be a slight embarrassment for praxeology.

Third, Caplan (1999, p. 828) charges that

> the argument against calculus based upon the rejection of continuity also argues against the use of simple algebraic constructs, like intersecting supply and demand lines, that fill Rothbard's works. . . . If the assumption of continuity is not a harmless fiction, then it is incumbent upon him to remove all of the supply and demand intersections in his works and to state that supply equals demand only under extremely rare conditions.

This is entirely unwarranted. If there is any economist who has been careful, who has been more than careful, to characterize supply and demand as discontinuous functions, it has been Rothbard. Evidently, Caplan has overlooked chapter two in Rothbard's (1993, pp. 67–159) his magnum opus. Even a moment's perusal of figures 5 and 6 (p. 75), 13 (p. 103), 17 (p. 110), and 23 (p. 120) will show any disinterested reader that Rothbard sees demand and supply as essentially discontinuous. Almost in direct anticipation of Caplan's criticism, Rothbard labels figure 21 (p. 115) which characterizes an equilibrium between discontinuous supply and demand curves "unanimously correct forecasts of final price." If this is not just a different way of stipulating Caplan's "extremely rare conditions" then nothing is. Yes, to be sure, Rothbard does indeed, upon many occasions, draw his supply and demand curves as intersecting straight lines. But, give the man a break! He had to communicate in a neoclassical mileau. Surely, after taking great pains to show discontinuities, he may be forgiven for lapsing into the traditional analysis, if only as a heuristic device.

Income and Substitution Effects

Caplan (1999, p. 828) charges that

> Though Rothbard rejects neoclassical utility theory, he makes ad hoc concessions to it elsewhere in his writings." Specifically, he "derive(s) the laws

> of demand and supply as exceptionless theorems" (e.g., demand cannot slope upward, supply cannot slope downward) and yet "concedes the theoretical possibility of backward bending supply curves.

This criticism, too, misses its mark. Of course, downward sloping demand and upward sloping supply are exceptionless propositions, given the *ceteris paribus* assumption of no income changes. And, obviously, when this assumption is relaxed, as in the case of the backward bending supply curve (or the Giffen good), and income changes are allowed into the analysis, then it is theoretically possible for such exceptions to occur. But why should neoclassical economics be granted a monopoly position regarding this rather basic "insight"? Surely, the Austrians, too, without any by your leave tugging at the forelock, may take note of the fact that when price changes, income, too, can be impacted.

In his attack on Rothbard, Caplan (1999, p. 829) makes either an interesting concession, or a denial. He states, "this is a bona fide case where neoclassical economists did not merely tediously formalize the obvious." If he maintains the virtually all of neoclassical economics is indeed the tedious formalization of the obvious, well and good; that is certainly consonant with the Austrian perspective. On the other hand, if he means to deny this, then we need not look too far for a refutation. We need not go beyond the very issue of the *Southern Economic Journal* in which [CONTINUE]