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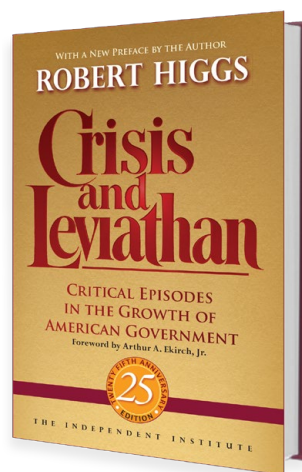
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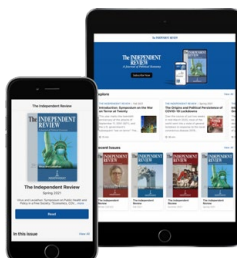
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Crusoe and the Economists

An Accounting

◆

STEVEN HORWITZ AND SARAH SKWIRE

For hundreds of years, authors of economic treatises and textbooks have begun their analysis with a discussion of the economics of the isolated individual. They often choose the protagonist of Daniel Defoe's novel *Robinson Crusoe* (1719) as their metaphor or model to undertake this analysis. We are asked to imagine Robinson Crusoe stranded on his otherwise deserted island, having to decide how best to provision himself for the present and future. Especially in more modern versions, Crusoe's situation is framed as an allocation problem, in which he must figure out how to maximize the value of all the resources on the island given the various ends he wants to satisfy. The economics of the isolated individual is then contrasted with more realistic models in which exchange takes place. Those who continue to use the Crusoe example often go on to imagine the arrival of Friday and the consequent possibilities of cooperative production and/or trade.

The use of Crusoe examples and models was more common in the late eighteenth and nineteenth century than it is today. Although there are certainly uses of this figure in the twentieth century, direct references to Crusoe (as opposed to discussions of the economics of the isolated individual in general) are less common now than in the past.¹ The use of Crusoe models in every period has been subject to a variety of criticisms,

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1. And in the twenty-first century, economics instructors teaching this material are far more likely to reference Tom Hanks in the movie *Castaway* (Robert Zemeckis, 2000) for this purpose, rather than Crusoe, given the former's greater salience in the lives of college students.

The Independent Review, v. 25, n. 3, Winter 2020, ISSN 1086-1653, Copyright © 2020, pp. 345-355.

beginning perhaps most thoroughly with Karl Marx in *Capital* (1867). In the twentieth century, critics have claimed that Crusoe models are problematic for reasons ranging from the way they justify the false picture of “economic man” that populates so much of modern economics to their blindness to the relationships of race and power that define the interactions between Crusoe and Friday in the novel.

There is an ongoing debate about the origins of Crusoe stories in political economy and philosophy. The use of what might be called “isolated individual” stories to illustrate political philosophy can be found in state-of-nature stories from writers as early as Hobbes and Locke. They are not explicit Crusoe stories because they predate the book. What seems to have happened is that once Defoe’s novel became popular, later thinkers used Crusoe explicitly where earlier thinkers had used the “isolated individual.” Even when Marx criticizes his predecessors’ use of Crusoe stories in political economy, he uses the phrase “stories à la Robinson” rather than explicitly indicating Crusoe stories (Marx [1867] 1906, 88).

Some of the most extensive and explicit uses of Robinson Crusoe can be found in the work of the French liberal economist Frédéric Bastiat, writing in the 1840s, in particular in *Economic Harmonies*. In the chapter “Exchange,” Bastiat uses Crusoe in the way most economists have done, as an illustration of the limits of isolation and the benefits of exchange. Bastiat points out that even Defoe implicitly admits the importance of exchange and the division of labor through the plot device of stranding Crusoe with various objects from the shipwreck (which we discuss more fully later). Bastiat notes that Defoe originally wanted to leave Crusoe with absolutely nothing but quickly realized there would be no way for him to survive absent *all* traces of civilization. As Bastiat frames the issue, the salvaged supplies are “decisive evidence that society is man’s necessary milieu, since even a novelist cannot make him live outside of it” ([1850] 1996, 64). None of those objects could possibly have been made by Crusoe alone; therefore, even in his physical isolation on the island he still carries with him the benefits of exchange within society.

Unlike later writers, Bastiat does not need to rely on Friday’s appearance in the novel to illustrate the importance of exchange. Instead, he points out that Crusoe brings the benefits of exchange with him to the island. Later writers wished to more clearly separate the isolated Crusoe from the benefits of exchange that they see as made possible by Friday’s arrival. Bastiat argues that it is nearly impossible to conceive of an individual surviving without implicitly assuming that exchange with other humans already exists. He drives this point home even more firmly by pointing out that Defoe has Crusoe arrive on the island with a “social treasure worth a thousand times more” than the remains of the wreck. Bastiat here refers to “his ideas, his memories, his experience, and especially his language,” all of which take for granted society and exchange ([1850] 1996, 64). The Robinson Crusoe of the novel is not completely isolated from society and exchange in the same way later economists assumed him to be in order to illustrate the economics of isolation. So when later writers, including modern textbook writers, use Crusoe to explain how even an isolated human has to allocate his limited

resources among various possible uses, they must either implicitly assume the preexistence of exchange by virtue of their description of Crusoe or do violence to the novel by making Crusoe even less human and more isolated than Defoe thought was plausible.

Although we cannot know for sure, Bastiat may well have been one of the writers Karl Marx had in mind in his own discussion of Robinson Crusoe. In *Capital*, his exploration of Crusoe economics is part of his more general criticism of how assumptions of liberal political economy prevented previous thinkers from seeing the radical potential of socialism. The discussion takes place in the chapter on commodities and is part of his analysis of the use-value and exchange-value distinction that he sees as becoming relevant when goods and services, including labor, get treated as commodities and are valued by what they can be exchanged for. Exchange as the basis of economic interaction hides the true nature of value by mystifying it in the prices of the market. Previous writers such as David Ricardo had used their “stories à la Robinson” as a prelude to explaining the superiority of trade to isolation. Marx wants to turn their Crusoe stories around on them by showing how these stories can help readers understand his vision of socialism.

Marx carefully and accurately describes Crusoe’s situation on his island, complete with objects rescued from the shipwreck. He notes that Crusoe is able to keep a record that describes “the objects of utility that belong to him . . . the operations necessary for their production; and . . . the labour time that definite quantities of these objects have, on an average, cost him” ([1867] 1906, 88). Marx points out that in this world, the relationship between Crusoe’s labor efforts and the value of their products is simple and direct. He makes the same observation about peasant families who produce “for home use” (89). The products they make have value from the labor that went into them, but they are not commodities because they are not exchanged. The family is able to allocate work easily because it can see transparently the connection between labor time and the creation of use value, as well as the relationship between individual labor and its contribution to the full social product. For Marx, Crusoe offers a way to strip away what Marx sees as the mystification of value created by the production of commodities under capitalism.

Along with the family, therefore, Marx’s discussion of Crusoe serves as an example of how one might directly access labor power as a way to understand value and allocate resources without exchange. The discussion leads directly into some of his clearest statements about the socialist future. He asks the reader to imagine “a community of free individuals, carrying on their work with the means of production in common, in which the labour-power of all the different individuals is consciously applied as if the combined labour-power of the community” ([1867] 1906, 90). In this world, “[a]ll the characteristics of Robinson’s labour are here repeated, but with this difference, that they are social, instead of individual” (90). As on Crusoe’s island, in this world of common ownership and the collective application of labor power, goods are produced directly for use value, not for exchange value. What gets produced, how it is produced, and who gets to consume it would be determined before production takes place, much as they are for both Crusoe and the peasant family. In this imagined world, however, production

and allocation become a fully collective process engaged in by “free individuals.” For Marx, if production and allocation can be done directly in this way by Crusoe and by the peasant family, without the intermediation of exchange, the same process can be done throughout society. In this way, socialist planning is a Crusoe story writ large. Marx, therefore, is not critical of Crusoe stories per se but rather critical of the lesson that his liberal predecessors drew from them.

In the twentieth century, the Austrian economist Ludwig von Mises recognized the parallel that Marx saw between the isolated actor of the Crusoe story and the administrator of a fully planned socialist economy. He starts by admitting that the critics of economists who use “the imaginary construction of an isolated individual” are “somewhat justified.” The critics claim that Robinson Crusoe stories are of “no use for the study of the conditions of a market economy” (1966, 205). For Mises, the specific problem with Crusoe stories is that, like the imaginary construction of the planned economy without a market, they employ “the fictitious assumption” that “economic calculation is possible also within a system without a market for the means of production” (205). He later notes that the imaginary construction of the isolated individual has long offended critics of economics because it is so contrary to reality. However, he also argues that even given this flaw, or perhaps because of it, economics cannot dispense with Crusoe stories: “In order to study interpersonal exchange [economics] must compare it with conditions under which it is absent . . . the economy of an isolated individual and the economy of a socialist society” (243). For Mises, the use of imaginary constructions is a key method for advancing economic understanding, and he makes a similar case for the necessity of equilibrium models in economics as a contrast with the reality of an ever-changing market.² Unlike the more modern uses that focus on seeing Crusoe as an example of how means must be allocated toward ends even in isolation, Mises’s approach is to link the isolated individual to socialist planning in their shared absence of exchange, markets, and prices as a way to illustrate by contrast features of real-world markets.

Given that modern uses of Crusoe tend to focus on how even he must decide which means to apply to which ends, one might expect to find frequent use of Crusoe stories in Lionel Robbins’s *An Essay on the Nature and Significance of Economic Science* (1935). As Robbins argues, “Economics is the science which studies human behavior as a relationship between ends and scarce means which have alternative uses” (16). The major arguments of Robbins’s book still largely capture how economists think about what they do and certainly so as portrayed in the textbooks. Interestingly, Robbins himself does not employ Crusoe examples to make his case. He does refer to the use of Crusoe by others, in particular Edwin Cannan and Mises.

Robbins has a lengthy discussion of Cannan’s distinction between the “economic” and the “noneconomic” as resting on the question of whether human activity is geared

2. This use of imaginary constructions as a “foil” against which to compare a more complex, dynamic reality runs throughout the Austrian School. See F. A. Hayek’s discussion in *The Pure Theory of Capital* (1941).

toward material welfare. So Cannan argues that when Crusoe digs potatoes, that is economic activity, but when he talks to his parrot, that is not. Robbins points out that the problem with this distinction is that Crusoe is still faced with the problem of allocating his limited time between digging potatoes³ and talking to his parrot, which makes all of his activity economic because he must allocate his scarce time among competing ends. One can see how easily other authors would pick up Crusoe as a way to illustrate the basic economic problem even if Robbins did not do so.

Robbins's discussion of Mises and Crusoe stories picks up where both Marx and Mises left off. In fact, it is almost identical to Mises's discussion. Robbins points out that even the isolated man is subject to the limitations of scarcity, "but, from the point of view of isolated man, economic analysis is unnecessary." Looking at Crusoe "may be immensely illuminating as an aid to more advanced studies . . . [s]o too in the case of a 'closed' communistic society" (1935, 18). Comparing such a society to an exchange economy "may be very illuminating," but to "the members of the executive, the generalizations of Economics [*sic*] would be uninteresting. Their problem would be analogous to Crusoe's" (18). He then, like Marx, observes that the problem would be "merely whether to apply productive power to this or to that." He cites Mises's point that without a price system these choices are arbitrary because they can be based only on the valuations of the executive committee and not on the "valuations of consumers and producers" (18–19).⁴ If Crusoe and the socialist planner wish to maximize the use of their resources, both must take account of the scarcity of means with competing uses. This is a fairly simple task in Crusoe's world, but it is far too complex to be solved without a price system in the advanced state of modern society. The complexity of that world is why economic analysis is so necessary and so illuminating (Robbins 1935, 19).⁵

Robbins wrote in the mid-1930s. Almost thirty years later, Murray Rothbard made extensive use of Crusoe constructions in his treatise *Man, Economy, and State* (1962). In his discussion of the origins of capital, he starts with a Crusoe story and continues to mine it for about thirty pages as he walks through the basics of capital theory. As a piece of pedagogy, his investigation is quite effective, especially in the way it helps to demonstrate the sacrifices in the present and gains in the future that are part of our isolated man's efforts to try to create capital goods to help him catch fish or knock down fruit high in trees. Rothbard extends the Crusoe story in the following chapter of *Man, Economy, and State* as he discusses how matters change when Crusoe has a second person on the island with him. Rothbard invokes Crusoe for a total of about fifty-five pages throughout this early section of the book.

3. Crusoe does not plant or dig for potatoes on the island. However, they feature prominently in the modern castaway novel *The Martian* by Andy Weir (2011), about an astronaut stranded on Mars.

4. Robbins also includes, as Marx and Mises did, the household as a third example, along with the isolated man and the socialist planner, of where the allocation of resources depends on the valuation of them by the "final organizer."

5. This is why Mises refers to market prices as "aids to the mind" necessary for rational resource allocation in his classic essay on the impossibility of economic calculation under socialism (1935, 102).

In many ways, Rothbard's use of Crusoe is the kind of isolated-man story that economists tend to think of when they consider Crusoe stories as a way to understand basic questions of resource allocation. What is particularly interesting about Rothbard's use of Crusoe, however, is that he does not invoke Crusoe until he explains the origins and function of capital. In the preceding pages, which cover the basic idea of allocating scarce means to unlimited ends and where many other economists turn to the novel, he does not use Crusoe. The illustrative examples could easily be made into a Crusoe story, but he chose to save that material for the discussion of capital theory. In any case, Rothbard's thirty pages about how Crusoe has to think about foregoing current consumption to create capital goods to increase productivity in the future are good economics pedagogy even as they distort the content of the novel.

One of the more unusual modern uses of Crusoe is in James Buchanan's *Limits of Liberty* (1975). In a discussion of what it means to be free and to be governed, he invokes the isolation of Crusoe to argue that even someone free in an existential sense can still "adopt rules that will effectively 'govern'" himself. As an example, he imagines Crusoe building an alarm clock and thereby imposing "rules on his own behavior" (93). For Buchanan, this thought experiment of Crusoe making a kind of contract with himself is important for understanding why we might collectively agree to govern ourselves through the political process. Even at the individual level and even as an isolated individual, we recognize, argues Buchanan, a trade-off between "liberty and planned efficiency [that] includes an enforcement instrument in the contract" (93). Buchanan uses Crusoe to remind us that humans are rule-making and rule-following animals, even when those rules apply only to an individual. Again, we can learn from using Crusoe as a foil for the complexity of an actual exchange economy.

Economists' use of Defoe's Crusoe is frequent, but it is not always accurate. Turning to the novel itself, we find that the Crusoe they analyze is often a construction of their own imaginations rather than of Defoe's. Caught, as so many writers and philosophers have been, by the narrative possibilities of a man in isolation, the economists who use Crusoe often use a version of his story that suits their purposes more than it reflects the contents of Defoe's tale. This is entirely understandable. Crusoe's stranding is and has been for so long such a popular story and such a powerful cultural trope that we feel we know it even before we have read it.⁶ But no matter how understandable this feeling is, it is unfortunate that the imagined Crusoe has overwhelmed Defoe's Crusoe, who on occasion directly contradicts the use made of Crusoe by economists and importantly offers economic considerations worthy of discussion in their own right.

One such example of the former is the way in which the Crusoe of Rothbard's imaginary construction in *Man, Economy, and State* bears little resemblance to the Crusoe of Defoe's novel. First, Rothbard assumes a Crusoe who "lands, without

6. See the discussion of the "Robinsonade" in "Robinsonade" n.d.

equipment, on a desert island” (1962, 37).⁷ In the novel, however, Crusoe is able to salvage an impressive array of goods from the shipwreck that strands him. A partial list includes clothing; a knife; a pipe and tobacco; a raft built from salvaged wood; bread, rice, cheese, dried meat, corn (a general term for grain), arrack, cordial waters, rum, sugar, and flour; a carpenter’s chest full of tools; guns, shot, and powder; swords; saws, an ax, a hammer, hatchets, nails, and spikes; screw jacks for lifting heavy objects; a grindstone; crowbars; two barrels of bullets; muskets and fowling pieces; sailcloth; a hammock and bedding; pen, paper, and ink; compasses, navigation tools, and books; Bibles and a Catholic prayer book; a cat and a dog; rigging and canvas; cables and hawser; ironwork, razors, scissors, and silverware.

Crusoe also saves money from the wreck and then a much greater amount of money from a second ship that is wrecked on his island years later. Much has been made of Crusoe’s virtuous (and economically sound) observation that money is no good to one who has nothing to spend it on and no one to buy things from. “O Drug! said I aloud, what art thou good for? Thou art not worth to me, no not the taking off of the Ground; one of these Knives is worth all this Heap. I have no Manner of use for thee, e’en remain where thou art, and go to the Bottom as a Creature whose Life is not worth Saving” ([1719] 1994, 43).⁸ But this condemnation of money is very much a matter of context. Knowing that gold and silver are useless on the island, Crusoe still elects “upon Second Thoughts” (43) to bring the money off the ship with him, stores it securely, and so is able to put it to good use later when he leaves the island and returns to society.

Crusoe is able to salvage so much from the shipwreck, in fact, that he must build shelves to hold it all. He refers to his possessions as a “general Magazine [store] of all Necessary things” (51) and speculates that he owns “the biggest Maggazin of all kinds now that ever were laid up, I believe, for one man” (42). He expresses enormous gratitude for these stores as well, contrasting his current well-supplied state with an imagined version of his shipwreck that is much closer to what Rothbard describes. “Then it occur’d to me again, how well I was furnish’d for my Subsistence, and what would have been my Case if it had not happen’d. *Which was an Hundred Thousand to one*, that the Ship . . . was driven so near to the Shore that I had time to get all these Things out of her? What would have been my Case, if I had been to have liv’d in the Condition in which I at first came on Shore, without Necessaries of Life, or Necessaries to supply and procure them?” (47, emphasis in original). Robinson Crusoe does not land without equipment but rather with a great deal of capital already available. His frequently stated gratitude for that capital emphasizes the great distance between his state and the state of the economists’ imagined Crusoe.

7. At one point, Rothbard asks us to imagine Crusoe finding an axe left behind by a previous inhabitant. There is no need to imagine it, however, because Crusoe reports finding “an Axe” as well as “a Dozen or two of Hatchets” on the wrecked ship (Defoe [1719] 1994, 38, 41). Jean-Jacques Rousseau makes a similar error about Crusoe’s possessions, referring to Crusoe as “destitute . . . of mechanical implements” (1762 [1994], 262).

8. Subsequent citations to the novel *Robinson Crusoe* (Defoe [1719] 1994) give page numbers only.

Moral observations like Crusoe's exist even in the accounts of the real shipwreck of Alexander Selkirk that inspired the writing of *Robinson Crusoe*. In 1713, the journalist Richard Steele ends his account of Selkirk's shipwreck and rescue by observing that "[t]his plain Man's Story is a memorable Example, that he is happiest who confines his Wants to natural Necessities; and he that goes further in his Desires, increases his Wants in Proportion to his Acquisitions" (Steele [1713] 1994, 238).

Defoe makes a similar observation in *Robinson Crusoe* when, in the very moment that Crusoe luxuriates in his stores of goods as "[t]he biggest Maggazin of all Kinds" in a single person's possession, he goes on to comment, "but I was not satisfy'd still." This example of continued human desire even at the very moment when one is celebrating possessions and plenty is a crucial and realistic instance of Defoe's accurate observations about an important economic idea. At the foundation of modern economics is the idea that our wants always outnumber our resources. Even as we find ways of fulfilling one set of wants, either as individuals or as a society, still left unsatisfied, we move on to the next set. That we have mostly conquered our basic wants for food, clothing, and shelter has made it possible to devote human and material resources to wants that are less urgent. In the twenty-first century, much of what we do in wealthy societies involves finding new ways to amuse, educate, and entertain ourselves. We are restless and unsatisfied even in the midst of having a "Maggazin" that Crusoe (and Defoe) could hardly imagine.⁹

Woodes Rogers, who led the privateering expedition that found and rescued Selkirk in 1709, concludes his firsthand account of the rescue by noting: "We may perceive by this story the Truth of the Maxim, That Necessity is the Mother of Invention, since he [Selkirk] found the means to supply his Wants in a very natural manner, so as to maintain his Life, tho not so conveniently, yet as effectually as we are able to do with the help of all our Arts and Society." Selkirk's story prompts Rogers to consider not merely survival and the way that Selkirk was able to "maintain his life" but also the way the "Arts and Society" that arise when groups of people live together make survival easier and more convenient (Rogers [1712] 1994, 235). This should remind us of Bastiat's observations about Crusoe and the way that the physical and mental equipment he brings with him are a way of bringing some of the advantages created by society and the division of labor onto an island with a single inhabitant.

We see more of these advantages at work as Robinson Crusoe begins to settle in on the island. Ten or twelve days after his shipwreck on September 30, he starts a calendar to record the length of his stay and to track Sundays for Sabbath observance. On November 4, by his reckoning, he "began to order my times of Work, of going out with my Gun, time of Sleep, and time of diversion." Although not as mechanically regulated

9. For Mises, the cause of our action is what he calls felt "uneasiness," which means that we always have a sense that there is a new want that we wish to satisfy (1966, 13). For economists, the idea of diminishing marginal utility is just a fancy way of saying that we try to use our available means to satisfy the most urgent wants first, then other wants in descending order of importance.

as the alarm-clock-driven life that Buchanan imagines for his version of Crusoe, the schedule that Defoe's Crusoe creates for himself replicates the practices and schedules of his days in society. It utilizes, in other words, Crusoe's "social treasure," as Bastiat calls the culture that he has brought with him to the island.

But that social treasure is made up not merely of an appreciation for a well-regulated day and a respect for the Sabbath. It brings with it some less-appealing imports as well. Before his shipwreck, Crusoe participated in the slave trade, both as a slave owner and as a slave trader. His meeting with Friday—which is presented in many economists' discussions as a joyful moment of sociability after years of solitude—is, in Defoe's text, a part of that trade. "[H]e came nearer and nearer, kneeling down every Ten or Twelve steps in token of acknowledgement for my saving his Life: I smil'd at him, and look'd pleasantly, and beckon'd to him to come still nearer; at length he came close to me, and then he kneel'd down again . . . taking me by the Foot, set my Foot upon his Head; this it seems was in token of swearing to be my Slave for ever" (147).

One of the first words that Crusoe teaches Friday to say is "Master" (149). Over time, Crusoe begins to see Friday as a friend rather than a slave. Because mentions of Friday disappear from the narrative shortly after the incident with the bear (212–14), we do not know if this friendship survives when Crusoe and Friday return to England and remain there for seven years before setting sail again or if, once Crusoe is surrounded by society, he returns to treating Friday as a slave rather than as a man.¹⁰

Rothbard uses the existence of a second person on the island to illustrate the choice between violence and trade that arises the moment an individual human is no longer isolated (1962, 67).¹¹ The challenge of choosing whether to deal with other humans through force or through exchange is certainly true to the novel in that Crusoe is very wary of Friday upon the latter's arrival, and the evolution of their relationship from one of nearly total servitude to greater equality parallels Rothbard's argument that trade is better for all than is power and violence.

But amid all of these small economically interesting moments in the novel, well worth deeper consideration, we should not lose sight of the way *Robinson Crusoe* situates itself in a world of economic choices and choosers. The opening pages of the book contrast Crusoe's desire for adventure, speculation, and risk with his retired merchant father's desire for a solid and settled existence for himself and his son. Told that Crusoe wants to go to sea, his father argues that "it was for Men of desperate Fortunes on one Hand, or of aspiring, superior Fortunes on the other, who went abroad upon Adventures, to rise by Enterprize, and make themselves famous in Undertakings of a Nature out of the common Road; that these things were all either too far above me, or too far below me; that mine was the middle State, or what might be called the upper

10. Crusoe and Friday's further adventures are related in in Defoe's *The Further Adventures of Robinson Crusoe* (1719), and it is not until the appearance of this book that the reader knows that Friday came to England with Crusoe.

11. For reasons that are unclear, Rothbard chooses to refer to Friday as "Jackson."

Station of *Low Life*, which he had found by long Experience was the best State in the World” (5, emphasis in original).

Those who are familiar with Defoe’s earliest work, *An Essay upon Projects* ([1697] 2014), will recognize this conflict between stability and risk. Here, Defoe speaks admiringly of men like Crusoe’s father: “A true-bred merchant [is] the most intelligent man in the world, and consequently the most capable when urged by necessity, to contrive new ways to live.” At the same time, however, he cautions the necessity of being able to tell the difference between the projects proposed by cautious men, like Crusoe’s father, and those proposed by rash men, like Crusoe, who take risks “merely on the shadow of expectation” (not paginated).

Crusoe flouts his father’s cautions, of course, and winds up shipwrecked. Although he often attributes his shipwreck to divine punishment for his disobedience to his father, it is worth recognizing that when he leaves the island and begins to find out what happened to his property in his absence, “[t]he latter End of Job was better than the Beginning. It is impossible to express here the Flutterings of my very Heart, when I look’d over these Letters, and especially when I found all my Wealth about me” (205). In the same way that the money saved from the shipwreck has regained value by being returned to society, the castaway Robinson Crusoe has regained his wealth by his return.

There’s nothing wrong with the way that economists turn the image of Robinson Crusoe to their own purposes. Defoe’s novel, much like Grimms’ fairy tales, has become such an embedded part of Western culture that changes and retellings are not a matter of mistreatment of a holy text but instead an indicator of how embedded the story’s characters and occurrences are in our culture.

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