

From the President

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Ludwig von Mises: A Voice for Freedom and Principle

October 10 marks 30 years since the death of Austrian economist Ludwig von Mises. (He passed away at age 92.) For more than six decades in the twentieth century Mises was one of the leading voices for individual freedom and the market economy. During a time when socialist and interventionist ideas and policies seemed to be the almost inescapable wave of the future, he consistently and uncompromisingly defended human liberty, private property, the free market, and limited government.

Ludwig von Mises was an original scholar, an insightful policy analyst, and an influential teacher in both Europe and the United States. Without exaggeration, his books, essays, lectures, and personal impact on others were crucial in stemming the intellectual trends toward various forms of collectivism during the last 100 years. Mises's most famous protégé, the Austrian economist and Nobel laureate F. A. Hayek, once said, "There is no single man to whom I owe more intellectually. . . . He certainly had more influence on my outlook of economics than any other man."


Mises was born in Lemberg (now Lvov) in the old Austro-Hungarian Empire on September 29, 1881. He attended the University of Vienna and earned a doctoral degree in jurisprudence in 1906, with an emphasis on

economics. He made his living, however, not in academia but in the world of public policy, in the role of economic analyst for the Vienna Chamber of Commerce, Crafts, and Industry, a position he held from 1909 until 1934.

In the Austria between the two world wars he was a leading figure in bringing the Great Austrian Inflation to a halt and assisted in reorganizing the Austrian National Bank on a non-inflationary, gold-backed basis. He was an influential voice in preventing the Austrian socialists from nationalizing commerce and industry and was in charge of a department of the League of Nations' Reparations Commission in Austria. During these years Mises also founded the Austrian Institute for Business Cycle Research, taught a highly acclaimed seminar each term at the University of Vienna, was the Austrian representative of the European Free Trade Association, and led a world-renowned private seminar for Austrian and visiting scholars at his office at the Chamber of Commerce.

But his international recognition during these years and the remainder of his life was the result of his profoundly important contributions to economics and social philosophy. Even before World War I he developed what became known as the Austrian theory of money and the business cycle in *The Theory of Money and Credit* (1912); he showed that inflations and depressions had their origin in government mismanagement of the monetary and banking systems.

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But Mises's most famous contribution in the period immediately following World War I was his demonstration, in his 1920 article "Economic Calculation in the Socialist Commonwealth" and in his treatise *Socialism: An Economic and Sociological Analysis* (1922), that socialist central planning was inherently unworkable for any rational use and allocation of the goods and resources in society. The abolition of private property, the elimination of monetary transactions, and the end of market-based competition meant the loss of the price system. But market-generated prices were the essential social tools by which all the goods and services, resources, and capital could be reduced to a relatively simple and useable common denominator for purposes of economic calculation by consumers, producers, and resources owners.

In his 1927 work, *Liberalism*, Mises defended the institutions and workings of the free-market economy. He warned of the inherent contradictions and inevitable distortions resulting from various types of government regulation in *Critique of Interventionism* (1929). And he defended the logic and essential value of economic theory for sound thinking about economic policy in *Epistemological Problems of Economics* (1933).

Magnum Opus

But his greatest contribution, in which he synthesized all these earlier works into a comprehensive vision and logic of freedom and the market economy, was *Human Action: A Treatise on Economics* (1949). Here the reader finds a detailed and well-grounded conception of man, human nature, and society. Mises formulates a theory of social cooperation arising from the benefits from division of labor. He explains the institutional prerequisites for freedom and prosperity, and the workings of the market process, competition, the price system, and the role of the creative entrepreneur. He also restates in a refined exposition his criticisms

of socialism, interventionism, and government monetary and fiscal policies.

In his review Hayek said the book "ranges from the most general philosophical problems raised by all scientific study of human action to the major problems of economic policy of our own time."

Mises elaborated further on many of these themes in a number of other books, including *Planning for Freedom* (1952), *Theory and History* (1957), and *The Ultimate Foundation of Economic Science* (1962).

All these works were written at a time when freedom and the free society appeared destined for defeat, reduced to a soon-to-be-forgotten chapter of human history. Especially after Mises moved to the United States in 1940 during World War II, socialism, interventionism, and Keynesian economics all seemed to be heading for triumph throughout the world. Voices like Mises's were increasingly marginalized and often ignored.

But while many chose to remain silent or compromised their classical-liberal views for acceptance or recognition in academic and public-policy circles, Ludwig von Mises did not. He did not consider logic, truth, and right to be matters of mere "opinion." These were invariant elements in the world and for man. Illogic, deceptions, and error all finally led to outcomes quite different from what had been hoped for or promised. And many policies emanating from such misguided thinking resulted in disasters for millions of people. Each of us as members of a common humanity, he argued, were called on to speak up and work to stop the tide of socialist and interventionist destruction.

Now that the twentieth century has ended, it is clearer than ever before that Ludwig von Mises, during those darkest decades of collectivism, understood and explained far better than most the dangers that humanity faced and the path to human freedom and economic progress. Our task in the 21st century is to take his legacy of ideas and see that the next hundred years is better than the last. □