

6. Money, method and the market process. [Bien Greaves-McGee B-28] [B2]

- Complete typescript, two substantially different versions, of the introduction by Richard Ebeling, with a one-page foreword by Margit von Mises.

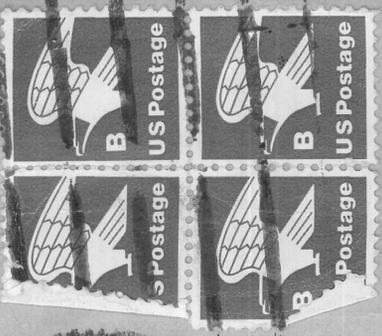
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MONEY METHOD

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MONEY, METHOD, INTERVENTION AND TRADE

Essays BY LUDWIG VON MISES

Compiled by Margit von Mises

Edited with an Introduction

by Richard M. Ebeling

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ESSAYS BY LUDWIG VON MISES

Edited with an Introduction
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Dear Margot,

Here is the complete manuscript ready to be sent once you have added your foreword to the top.

I received a telephone call from Hillsdale College and they have asked me to be one of the speakers in September. I want to thank you very much for writing to them about me.

Joonne has had a great disappointment Her application for the NYU Business School MBA program was turned down. She was very much looking forward to going back to school and getting an advanced degree.

I'm glad to hear that you are having such a good time and that your work is progressing so well. I think it is important to have available this second edition of your book.

All best wishes

Richard

MONEY, METHOD, INTERVENTION AND TRADE

ESSAYS BY LUDWIG VON MISES

Edited with an Introduction

by Richard M. Ebeling

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Foreword

The chapters in this book are the result of my search for unpublished manuscripts and articles published long ago. My purpose was to bring to life the works of my husband which otherwise were not easily accessible to his many followers. The success of Planning For Freedom - a book of essays now in its fourth enlarged edition - encouraged me in this endeavor.

This is the last book of my husband's ^{work} which I myself will have a hand in producing. Undoubtedly many other books will be written by scholars working from the material which I arranged to have available in the archives in the Pew Library of Grove City College. This collection which I put together after my husband's death on October 10, 1973, includes many pamphlets, typed scripts, handwritten articles and notes.

As a close student and great admirer of my husband's work Richard Ebeling was the ideal person to bring this compilation of essays to life. He suggested some of the articles and we agreed upon the final selection. I appreciate and thank him for his dedication to this project.

These essays should bring into sharp focus my husband's economic and social philosophy as it bears upon wide ranging topics as indicated in the table of contents.

New York, June 1981

Margit von Mises

INTRODUCTION

by Richard M. Ebeling

I

In the 1920's and 1930's, Ludwig von Mises was recognized as one of the most innovative economists alive.** F.A. Hayek has said that Mises' critique of socialism had "the most profound impression on my generation...To none of us...who read the book when it appeared was the world ever the same again."¹ Lord (Lionel) Robbins, in introducing the Austrian School literature on money and the trade cycle to English-speaking readers in 1931, pointed out the "marvelous renaissance the "School of Vienna" had experienced "under the leadership of...Professor Mises."² In his comprehensive study of German Monetary Theory, 1905-1933, Howard Ellis insisted that Mises' work was "one of the most substantial treatises upon monetary theory in the German literature" and that his role in bringing an end to the Austrian hyperinflation of the early 1920's made "Mises a significant figure."³ Fritz Machlup has stated that in the early 1920's, "Ludwig v. Mises was the first, so far as I know, to point to the phenomena of the consumption of capital" due to the distortion of capital accounts caused by inflation and the fiscal policies of the Austrian State. Furthermore, "As a member of a committee appointed by the Austrian Government...he also emphasized comprehensive factual information."⁴ And in a study of the evolution of the theory of cost in economics, James M. Buchanan has emphasized that "Ludwig von Mises was one of the chief sources for the subjectivist economics" expounded in the 1930's at the London School of Economics and developed further, more recently, by the latest generation of the Austrian School.⁵

Yet, for a good portion of the post-war period, Mises' writings have been in general eclipse in the economics profession, even though he continued to lecture widely, published over a half-dozen books during this time and taught on a regular basis at New York University until his retirement in 1969 at the age of 89. The basis for this peculiar circumstance resulted from his position vis-a-vis Keynesian economics. Given the practically monolithic hold Keynesianism had over economists following 1945, any challenge to either the theoretical edifice or the policy implications of the then, "New Economics," assured almost certain intellectual death to the unfortunate combatant. Yet, this is exactly what Ludwig von Mises did in both questioning and unflinchingly criticizing the entire body of Keynesian doctrine. The result was near total ostracism from the economics profession.

During the 1970's, the intellectual terrain began to shift. In the wake of the dismal failure of Keynesian policy prescriptions, doubts began to be generated about the fundamentals of the Keynesian system. Much scholarly scalp-scratching started to occur as myriad exegetical readings were made in an attempt to divine what Keynes "really meant." The various investigations lead to the conclusion that Keynes really meant almost anything, depending upon which of his volumes was focused upon and which passages in the particular book was given emphasis.

The decline of Keynesianism among economists has brought about a new spirit of open intellectual competition the likes of which has not been seen since the early 1930's. Among the rivalrous contestants are the ideas of Ludwig von Mises and the Austrian School of Economics, of which he was an illustrious member.

II

The 1871 publication of Carl Menger's Grundsätze der Volkswirtschaftslehre⁶ marks the beginning of the Austrian School. Although usually classified along with William Stanley Jevons and Leon Walras as one of the co-founders of the "Marginalist Economics" that replaced the Classical School and its Labor Theory of Value, Menger's contribution bore unique characteristics that distinguished him from the other two.

All three had grasped the essential role of marginal utility: value was a matter of relative comparison between alternatives and each alternative's significance was evaluated by the decision-maker at the margin, i.e., the importance of the next unit of a good or service that could be obtained or would have to be given up in an act of choice.

For both Jevons and Walras, however, the value of the marginal utility concept was its power in demonstrating the conditions for equilibrium in a given exchange environment. For Menger, on the other hand, equilibrium was purely a useful limiting case that portrayed the circumstances under which no further motivations for exchange among traders would exist; the importance of marginal utility, in the Mengerian schema, was precisely its value in enabling

an analysis of the exchange process itself, regardless of the concrete manifestation of any eventual equilibrium outcome.⁷

An investigation of exchange sequences and consequences in disequilibrium circumstances necessarily raised questions concerning the knowledge possessed by the respective market participants, the role of time as it related to adjustment periods and production periods relative to change and the formation of expectations and foresight as potential traders attempted to anticipate future conditions as a guide for their own actions.

The economic analysis derived from Jevons and Walras took on a fundamentally static quality, basically an attempt to stipulate the prerequisites for an equilibrium state. The "Austrian" approach derived from Menger's exposition had from its inception essential dynamic qualities that set it apart from other schools of thought over the years.⁸

The foundations laid by Menger in 1871 were developed further in the last two decades of the 19th century and in the first decade of the 20th century. The two most notable contributors to this endeavor and, in fact, the ones who gave the Austrian School its world-wide notoriety, were Eugen von Böhm-Bawerk and Friedrich von Wieser. Böhm-Bawerk extended the analysis to questions concerning the theory of capital and the origin and formation of interest.⁹ Wieser, appreciating Menger's insight that marginal utility and valuation are subjective estimates by the chooser, demonstrated that cost was a subjective phenomena as well, nothing more than the next best alternative or opportunity set aside or forgone when a choice and an exchange are made.¹⁰

III

Ludwig von Mises' contributions to the Austrian School spans over six decades and touches upon almost every major field of economic science. The most controversial of Mises' writings has undoubtedly been that portion devoted to questions concerning the methodology of the social sciences. Yet, at the same time, they are probably the most important of all his efforts. Indeed, what Mises attempted was a philosophical foundation for the entire edifice of economic science as it had developed from Adam Smith's first analysis of the spontaneous market order to Carl Menger's restatement of the principles of that spontaneous order based upon methodological individualistic grounds.^{11 12}

Mises' writings on methodology covered practically his entire career. His early statements on the subject were collected in 1933 under the title, Epistemological Problems of Economics.¹³ They were refined and integrated into a general economic treatise, Nationalökonomie (1940)¹⁴ and in its English-language counterpart, Human Action (1949),¹⁵ and restated in Theory and History (1957)¹⁶ and in The Ultimate Foundations of Economic Science (1962).¹⁷

The unique quality characterizing the social sciences, as Mises sees it, is the animated purposefulness of human endeavors. Man, above all else, is the being who acts, who inquisitively looks out upon the world, is conscious to opportunities to improve his lot and proceeds to apply means to the achievement of ends when circumstances are perceived by the actor as offering the possibility for success.

Purposefulness, consciousness to opportunities, perception of circumstances, are all attributes assignable only to individuals, whose concrete content are functions of the particular perspectives, circumstances and interpretations of the respective actors themselves. Social Science, therefore, is grounded at its start in methodological individualism and methodological subjectivism. The alpha and omega of social phenomena is the subjective world of acting man. The laws of nature and the physical environment may be the ultimate parameters within which human endeavors are possible and accomplishable; yet, it is the human actors perception of the possible and the attainable that will be the divining rod for action initiated.

We also see in this Misesian schema all the dynamic elements that dominated Menger's Grundsätze: imperfect knowledge, time and change, expectations and foresight. Each of these have implied residence in the concept of purposeful action, for action--conscious behavior directed towards selected goals--has logical meaningfulness only where choice is seen as possible. And choice, as selection among alternative opportunities, has reality only where certain knowledge of the future is lacking. In turn, time and change, as Mises was wont to emphasize, is inseparable from action, as the very thought of action implied a becoming and a became.

The subjectivity of perception of the time-dimension of action, of the ends possible and the means available, of costs (as foregone opportunities) and benefits (as prospective gain in psychic improvement) resulted in Mises rejection of what he saw as Positivist imperialism, the interjection of the methods of the natural sciences into the social sciences. Application of the rules of "objective

science" to the social realm would require the abandonment of that quality that comprised the uniqueness of human events: appreciation of the subjective motivations directing human behavior that, in turn, generated the "objective," measurable magnitudes of the social world.

Yet, for Mises, this rejection of measurement and quantification as the standards for social science did not at the same time mean a collapse into Historicism, the argument that there are neither laws nor permanent regularities in the social world, only the historically unique and non-repeated.

The laws of social phenomena, Mises said, are derived from the logic of action which, itself, is one and the same with the logic of thought and reason. The processes of the market that tends for market prices to equal market costs, for supply to tend towards an equilibrium with demand, are all reducible to the logic guiding the actions of the respective individuals subsumed under the terms, "suppliers" and "demanders"--that the value of any particular means should not exceed the value of any particular end they serve.

This accounts, also, for what has usually been perceived as Mises' peculiar insistence that economic theory is both a priori and empirically truthful. It is a priori, for Mises, because the logic of action and its requisite categories of means and ends, costs and benefits, etc., must necessarily precede in thought the selection of any concrete end ^(and) the application of any concrete means and, therefore, the designating of something as one or the other. And it is empirically truthful because the logic of human thought precludes the conceiving of any conscious human action not operating within these categories, hence, it empirically reflects the essential qualities of all conscious human conduct.

While the action categories can serve as the filing system enabling the social scientist and the economist to order and give intelligible interpretation to the complexity of the social world, the categories remain purely generic in nature, i.e., they do not provide any information about the specific ends and means or the concrete outcomes from a series of actions. Thus, the "elasticities" of demand and supply and the particular "speeds of adjustment" in prices, output and expectations will depend upon the historical circumstances. This is lucidly explained by Mises in one of the following essays:

"We have plenty of figures available concerning the German inflation of the years, 1914-1923. Economic theory provides us with all the knowledge needed for a perfect grasp of the causes of price changes. But this knowledge does not give us quantitative definiteness. Economics is...qualitative and not quantitative... There are in the sphere of human action no constant relations between magnitudes...The rise of German prices in the years of the first World War was not only due to the increase of the quantity of bank notes. Other changes contributed too. The supply of commodities went down because many millions of workers were in the army and no longer worked in the plants, because government control of business reduced productivity, because the blockade prevented imports from abroad, and because workers suffered from malnutrition. It is impossible to establish by other methods than Verstehen [interpretive 'understanding'] how each of these factors--and of some other relevant factors--contributed to the rise of prices...The Verstehen is in the realm of history the substitute, as it were, for quantitative analysis and measurement which are unfeasible with regard to human actions outside the field of technology." (p.)

Similarly, economic prediction and forecasting is fundamentally an attempt to act as, what Mises called, "the historian of the future."¹ It is an attempt to order the concrete "facts" of the social world in a manner that reflects how the actors in that world do so themselves. And, furthermore, to project oneself into the future and attempt to anticipate how the respective actors over the future

period will classify various entities as either means or ends, what expectations they will form about the most advantageous courses of action to undertake and to analyze both the intended and unintended consequences of that multitude of individual plans as they meet and mesh in the social arena.¹⁹

Mises' contributions to the various fields of economic science have all been attempts to one degree or another to apply this methodological structure to particular problems. As F.A. Hayek has perceptively pointed out: "...most peculiarities of [Mises'] views which at first strike many readers as strange and unacceptable trace to the fact that in the consistent development of the subjectivist approach he has for a long time moved ahead of his contemporaries."²⁰

In monetary theory, for instance, Mises made one of the first successful applications of marginal utility analysis to explain the value of money by emphasizing the role of uncertainty and expectations in the actions of market participants. His classic work, The Theory of Money and Credit (1912; rev. ed., 1924)²¹ and monograph, Monetary Stabilization and Cyclical Policy (1928),²² as well as portions of Human Action,²³ however, contain much more than this. In the parlance of contemporary economics, Mises proceeded to develop a microeconomic

foundation for macroeconomic phenomena. Utilizing Böhm-Bawerk's capital theory and Knut Wicksell's distinction between the money and natural rate of interest, he devised a dynamic process analysis showing how changes in the money supply could generate shifts in income distribution, cause resource misallocations via relative price distortions and induce trade cycle fluctuations.

What distinguished Mises' approach from, for example, Irving Fisher's quantity theory of money was precisely his refusal to make the analytical jump (made by Fisher and others) from changes in the aggregate money stock to changes in the general "price level." Mises insisted upon a strict adherence to methodological individualism. Any explanations of statistically calculated changes in total employment and output or the "price level" needed to be dissected into the "step-by-step" sequential process of individual market actions, reactions and plan adjustments and readjustments following an increase (or decrease) in the money supply. Thus, the macroeconomic aggregates were to be decomposed into their microeconomic components by rigorously analyzing the "transmission mechanism" of a monetary injection.²⁴

The same methodological considerations permeate Mises' famous writings on comparative economic systems. Already in the 1880's and 1890's, Wieser and, in particular, Böhm-Bawerk had critically evaluated the Marxian Labor Theory of Value and discovered fundamental defects in both the assumptions and the logic.²⁵ However, almost no thought had been given by either socialist or non-socialist economists to the efficacy of State economic planning as an alternative to a market economy. In a series of three books, Socialism (1922),²⁶ Liberalism (1927)²⁷ and Critique of Interventionism (1929)²⁸ Mises took up this very question.

Mises saw the issue as concerning questions of knowledge, change and adjustment--the Mengerian themes, once again. In the Walrasian world of general equilibrium, where it's assumed that the relevant supply and demand conditions are known and all markets are cleared at equilibrium prices, it superficially appears as if a "market" outcome and a "planned" outcome are interchangeable with each other.²⁹ What are the implications, however, if instead it's assumed that an economy is not in equilibrium and constant changes on both the demand and supply sides are an integral part of the system? In other words, what are the implications in the real world? How is the coordination of a multitude of individual human plans and activities to be brought about so as to assure a tendency towards an efficient allocation of scarce consumer goods and means of production ?

As Mises explained, in a market economy this is accomplished via the price mechanism: rivalrous entrepreneurs bid for the use or purchase of scarce factors of production based upon their respective anticipations of the relative consumer demands for either presently marketed or new products. Prices for those factors of production are formed out of the interaction of, on the one hand, entrepreneurs who have those expectations about the prices consumers would be willing to pay for the final output the productive factors could assist in producing and, on the other hand, owners of the productive factors who form expectations about alternative employment opportunities. The on-going process of profit and loss, in turn, assures that economic management of the scarce factors of production always tends to be in the hands of those entrepreneurs who demonstrate the capacity for forming more nearly correct foresight about changes in underlying market conditions.³⁰

Socialism, Mises argued, negated this entire process. With prohibition of private ownership of the means of production, no markets would exist upon which prices for the scarce resources could be generated. And without real market-created prices reflecting ever-changing supply and demand conditions no rational technique would exist for carrying out economic calculation for the estimation of least-cost methods of production. Hence, concluded Mises, the establishment of universal socialism would necessitate the demise of all rational economic planning.³¹

Government intervention within a market order, Mises reasoned, ultimately created the same problems as socialism only in a more moderate form. To the extent that the interventions infringed upon the free market formation of prices and direction of production, to that extent market forces--i.e., entrepreneurial attempts to competitively satisfy consumer demands in the most efficient manner--were thwarted. Furthermore, as each government intervention would distort and disrupt the competitive market price structure, the government would continually face the problem of either extending its controls and regulations in an attempt to compensate for the imbalances its previous interventions had caused or repeal the existing interventions and allow a return to a competitive market arrangement. Thus, insisted Mises, an interventionist, mixed-economy was inherently unstable; logically it required either an extension of the interventions until all-round planning was established via a piecemeal process or else the Interventionist State contracted until that point at which a free market order predominated.³²

Mises' conclusion that a market economy was the only reasonable alternative to the problem of economic order was not meant by him to be taken as a personal value judgment on his part. Quite to the contrary, he saw it as a purely scientific conclusion to a scientific problem. Once a society is beyond a primitive economic state, or more exactly, if it is to get beyond such a state, there must exist a certain set of institutional structures that enables advantageous utilization of extensive division of labor. The growing complexity and dispersion of knowledge precludes any successful coordination via central direction. Some mechanism must assist in this endeavor and the price mechanism was just such an apparatus. A multitude of consumer preferences and entrepreneurial expectations could be successfully transmitted across a nation, across a continent and across the world through changes in market prices for both finished output and means of production.

Real market prices--reflecting real preferences, real expectations, real information about scarcity conditions--were impossible if ownership of the factors of production were outlawed, for without ownership there could be no trades, without potential trades there could be no bids and offers and without bids and offers there were no real prices. Interventions in a market economy, on the other hand, did not abrogate prices, but they could distort and disrupt the informational flow, thus seriously diminishing the efficiency of the society's extended use of the division of labor. Thus, as a scientist, Mises felt confident in saying that ultimately there was no alternative to a thoroughgoing market order.

We also see in Mises' critique of interventionism the same microeconomic process analysis that is visible in his monetary studies. An intervention impinges upon the economic system at some point. Prevailing relative price and production relations are disturbed, resulting in modifications in the actions of various market participants. These modified actions, in turn, influence the behavior and response of others. The implications that Mises draws is that the longer-term, complex ramifications from the specific intervention tends to have the consequence of making worse the initial conditions the intervention was meant to remedy. Thus, with the tools of modern economic theory, Mises is able to construct a sophisticated sequence analysis that reinforces the old arguments of the Classical Economists concerning the important distinction between what is seen and what is unseen in the implementation of economic policy.

IV

In the post-war years, the methodological thrust imbued in Mises' writings was inevitably bound to conflict with the Keynesian spirit of the times. For a wide range of theoretical and policy issues, microeconomics was declared a defective analytic device. Such a radically subjectivist microeconomic approach as Mises' was certain to be rejected. Instead, for special "macro"-economic problems different tools, it was said, needed to be forged. The search was made to discover quantitative "functional" relationships that were postulated to exist between certain aggregates e.g., total investment and total employment, and total income and total consumption. The search has ended in dismal failure. It inevitably was bound to fail.

From the beginning its failure was preordained because Keynesianism was shot ^(through) and ^(through) with the fallacy of "conceptual realism"--the imputing to statistically derived magnitudes attributes and qualities independent and different from their component parts. As Mises' fellow Austrian economist, F.A. Hayek, has pointed out, the application of such macroeconomic approaches has, in fact, been "a positive hindrance to further progress" in monetary and business cycle theory. Indeed, economic theory, itself, is abrogated by attempts

"...to establish direct causal connections between the total quantity of money, the general level of prices and...also the total amount of production. For none of these magnitudes as such ever exerts an influence on the decisions of individuals; yet, it is on the assumption of a knowledge of the decisions of individuals that the main propositions of...economic theory are based. It is to this 'individualistic' method that we owe whatever understanding of economic phenomena we possess... If, therefore, monetary theory still attempts to establish causal relations between aggregates and general averages, this means that monetary theory lags behind the development of economics in general. In fact, neither aggregates

nor averages do act upon one another, and it will never be possible to establish necessary connections of cause and effect between them as we can between individual phenomena, individual prices, etc."33

The crucial point against the prevailing macroeconomic approaches is that the aggregate components entering into their analysis are all elements having no existence of their own outside the economist's own calculations of the chosen magnitudes. The "price level" is a statistical averaging at a point in time of a group of selected and weighted prices. The individuals in the marketplace are never confronted by the "price level." What they do face is an infinite array of particular prices representing the exchange ratios between money and every good or service against which the medium of exchange is traded. Any calculated change in the "price level" is purely the ex post statistical averaging of a series of individual price changes. The causal links generating changes in market decisions will have been the alterations in the specific exchange ratios between money and goods, not a statistical "price level" created by the economic analyst after all the individual price changes have already worked their effect upon the economy.

The same reasoning applies to measured changes in total output and employment. Such statistical calculations are, again, purely the ex post sums of an array of changes in particular outputs and specific employment opportunities. One cannot separate the "total" changes from the particular circumstances in each sector of the economy that has contributed to the measured "total" outcome. Any attempt to do so

must necessarily eliminate all possibility of analyzing the conditions that have generated the changes and the circumstances that must come into operation to either maintain or change further the output and employment "level" already attained.³⁴

The necessary conclusion from the reasoning of such Austrians as Mises and Hayek that the bulk of macroeconomics must be seen as an episode that has shunted economic theory on to the wrong track, has been too much for some economists to take. Most recently, Mark Blaug has perceived "what methodological individualism strictly interpreted... would imply for economics. In effect, it would rule out all macroeconomic propositions that cannot be reduced to microeconomic ones, and since few have yet been so reduced, this amounts in turn to saying goodbye to almost the whole of received macroeconomics." In exasperation, he declares, "There must be something wrong with a methodological principle that has such devastating implications."³⁵

In reply to Blaug, I can do no better than to quote another economist, Arthur W. Marget, who, like Mises was washed away in the tidal wave of Keynesian euphoria because he, too, questioned the very foundations of Keynes' system:

"It is a fundamental methodological proposition of 'modern' versions of the 'general' Theory of Value that all categories with respect to 'supply' and 'demand' must be unequivocally related to categories which present themselves to the minds of those 'economizing' individuals (or individual business firms) whose calculations, and actions based upon those calculations make the 'supplies' and 'demands' realized in the market what they are...the type of problem raised by the necessity for establishing a relation between these 'microeconomic' decisions and these 'macroeconomic' processes is not solved by the arbitrary introduction of an 'aggregate supply function' and an 'aggregate demand function' for industry as a whole, in defiance of the fact that neither of

these 'functions' deals with elements which enter directly into the calculations of the individual entrepreneurs whose 'microeconomic' decisions and actions make 'macroeconomic' processes what they are. On the contrary, it must be said, of such an attempt at 'solution,' that it misconceives entirely the true nature of the relation between microeconomic analysis and macroeconomic analysis...³⁶

Up until recently a good many macro-theorists abdicated any responsibility for even trying to establish microeconomic linkages. While the last few years has seen the development of a new literature with this goal as its motivating force, it has developed along mostly "static" lines, i.e., an analysis of the choice theoretics serving as the logic guiding the participants in selecting particular pricing, output and employment options, with the resulting quantitative sums depicting the macroeconomic outcomes of the decisions of the microeconomic elements.

The Austrians, following the directions suggested by Mises have attempted a much more dynamic analysis. The heart of Mises' "step-by-step" procedure is to show how changes in the various microeconomic elements set in motion sequential effects through time that generate modifications in individual actions, which, in turn, result in changes not only in the "aggregate" quantities but in the relative price and production structures, with serious consequences for economic stability.

This has been well summarized by another Austrian, Oskar Morgenstern.

If in an analysis of an inflationary process, for example:

"...no account is given where this additional money originates from, where it is injected, with what different magnitudes and how it penetrates (through which paths and channels and with what speed), into the body economic, very little information is given. The same total addition will have different consequences if it is injected via consumer's loans, or

via producer's borrowings, via the Defense Department, or via unemployment subsidies, etc. Depending on the existing conditions of the economy, each point of injection will produce different consequences for the same aggregate amount of money, so that the monetary analysis will have to be combined with an equally detailed analysis of changing flows of commodities and services."³⁷

It has been this type of emphasis by the Austrians, and by Mises in particular, that led Joseph Schumpeter to conclude that, "the Austrian way of emphasizing the behavior or decisions of individuals and of defining exchange value of money with respect to individual commodities rather than with respect to a price level of one kind or another has its merits, particularly in the analysis of an inflationary process; it tends to replace a simple but inadequate picture by one which is less clear-cut but more realistic and richer in results."³⁸

Such questions do not have significance for "pure theory" alone, as may appear on the surface. The present economic malaise reflects the consequences of ignoring these very aspects of monetary dynamics. Directing all their attention to policy effects on "total" demand, "aggregate" employment and the general "price level," the Praetorian Guard of the aging "New Economics" has been blind to the warping effect their policies have had on the entire structure of the economy. Perpetual monetary injections by the central bank have disrupted the market price structure, creating artificial employment opportunities and, thus, inducing massive misdirections of labor and capital. Fiscal and taxing policies have so distorted incentive structures that saving and investment in the United States are among the lowest in the free world. And layers of interventions and regulatory acts have severely curtailed effective utilization of existing productive capability as well as

narrowing the range of opportunities open to new entrepreneurial innovation.

The present times, however, seem to offer a chance for a change. With orthodox Keynesianism in disrepute, with a new and growing awareness and sympathy for the free market among economists and with increasing concern among the general public over the degree of government intervention in social and economic affairs, a turn around might just be possible.

V

The present volume, by one of the leading figures in 20th century economic thought, and touching on almost every major issue of the day, can serve as an important handbook in bringing about such a methodological and ideological turn around.

The essays contained in this collection, many previously unpublished, offer a convenient composite of "Misesian economics." They include discussions of almost every aspect of economic and social theory that Mises considered of paramount importance. Furthermore, in many instances they offer examples of concrete application of Mises' schema that are not to be found in his other writings.

The first three essays, on "Method," carefully delineate the differences between the social and natural sciences, discuss the importance of value-freedom in social analysis and explain the distinction that Mises saw between his science of human action--praxeology--and the methods of the German Historical School.

The next five essays, on "Money," discuss the unique position of money in economic exchange, the distortive effects of monetary expansion on market activity and the devastating consequences of ever-worsening inflation. Of particular interest is an analysis by Mises of the limits of any attempt to stabilize economic activity via stabilization of the price level.

The following four essays, on "Trade," focus on the economic distortions and inefficiencies arising in a world of economic nationalism. Though mostly written in the 1940's and early 1950's, these essays are more relevant than ever. With third-world countries aggressively pursuing policies of economic self-sufficiency and with a rising tide of protectionism in the industrialized western nations, Mises' warnings of the danger of international conflict and war in a world without free trade will be found particularly cogent.

The next six essays, on "Comparative Economic Systems," analyze the political-economic clash between the free market order and collectivist economic planning. Included are detailed studies of socialism and the cooperatives movement.

The final essays, on "The Role of Doctrines in Human History," and "The Idea of Liberty is Western," emphasize that the ultimate contest in politics and economics is not between nations or armies but between the ideas that rule the actions of men.

The noted German economist, Wilhelm Röpke, once recounted how the reading of Mises' post-World War I book, Nation, State and Economy (1919) had been "in many ways the redeeming answer to the questions tormenting a young man who had just come back from the trenches."³⁹

With the collapse of Keynesian supremacy and the initiation of a new battle of ideas among economists and policy-makers, the writings of Ludwig von Mises might once again be of assistance to the new generation of combatants who will be manning the intellectual trenches. It is with this in mind that this volume of essays on Money, Method, Intervention and Trade is offered to the public.

New York City
June, 1981

Footnotes to Introduction

- ** Ludwig von Mises was born in Leuburg, Austria-Hungary on September 29, 1881. After studying with Bohm-Bawerk, he received his doctorate from the University of Vienna in 1906. He taught at the University of Vienna (1913 & 1918-1938), was Economic Advisor to the Austrian Chamber of Commerce (1909-1934) and served as Director of the League of Nations' Austrian Reparations Commission (1918-1920). In 1927, he founded the Austrian Institute for Trade Cycle Research. Professor Mises also taught at the Graduate Institute for International Studies in Geneva (1934-1940) and at New York University (1945-1969). Professor Mises died on October 10, 1973, at the age of 92.
1. F.A. Hayek, "Tribute to Ludwig von Mises," appendix II in Margit von Mises, My Years with Ludwig von Mises (New Rochelle: Arlington House, 1976) p. 189.
 2. Lionel Robbins, Forward to F.A. Hayek, Prices and Production (New York: MacMillan Co., 1932) p. ix.
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MONEY, METHOD, INTERVENTION AND TRADE
ESSAYS BY LUDWIG VON MISES

Edited with an Introduction
by Richard M. Ebeling

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INTRODUCTION

by Richard M. Ebeling

I

For almost forty years the importance of Ludwig von Mises' contributions to the development of economic theory has gone almost completely unnoticed. Recognized during the 1920's and 1930's as one of the most innovative economists alive, he was virtually ignored by the economics profession following the second world war, even though he continued to lecture widely, published over a half-dozen books and taught on a regular basis at New York University until his retirement in 1969 at the age of 89.**

The basis for this peculiar circumstance resulted from his position vis-a-vis Keynesian economics. Given the practically monolithic hold of Keynesianism over economists in the post-war years, any challenge to either the theoretical edifice or the policy implications of the then, "New Economics," assured almost certain intellectual death to the unfortunate combatant. Yet, this is exactly what Ludwig von Mises did in both questioning and unflinchingly criticizing the entire body of Keynesian doctrine. The result was near total ostracism from the economics profession.

During the 1970's, the intellectual terrain began to shift. In the wake of the dismal failure of Keynesian policy prescriptions, doubts began to be generated about the fundamentals of the Keynesian system. Much scholarly scalp-scratching started to occur as myriad exegetical readings were made in an attempt to divine what Keynes "really meant." The various investigations lead to the conclusion that Keynes really meant almost anything depending upon which of his books was focused upon and which passages in the particular volume was given emphasis.

The decline of Keynesianism among economists has brought about a new spirit of open intellectual competition the likes of which has not been seen since the early 1930's. Among the rivalrous contestants are the ideas of Ludwig von Mises and the Austrian School of Economics, of which he was an illustrious member.

II

The 1871 publication of Carl Menger's Grundsätze der Volks-
wirtschaftslehre¹ marks the beginning of the Austrian School. Although usually classified along with William Stanley Jevons and Leon Walras as one of the co-founders of the "Marginalist Economics" that replaced the Classical School and its Labor Theory of Value, Menger's contribution bore unique characteristics that distinguished him from the other two.

All three had grasped the essential role of marginal utility: value was a matter of relative comparison between alternatives and each alternative's significance was evaluated by the decision-maker at the margin, i.e., the importance of the next unit of a good or service that could be obtained or would have to be given up in an act of choice.

For both Jevons and Walras, however, the value of the marginal utility concept was its power in demonstrating the conditions for equilibrium in a given exchange environment. For Menger, on the other hand, equilibrium was purely a useful limiting case that portrayed the circumstances under which no further motivations for exchange among traders would exist; the importance of marginal utility, in the Mengerian schema, was precisely its value in enabling

an analysis of the exchange process itself, regardless of the concrete manifestation of any eventual equilibrium outcome.²

An investigation of exchange sequences and consequences in disequilibrium circumstances necessarily raised questions concerning the knowledge possessed by the respective market participants, the role of time as it related to adjustment periods and production periods relative to change and the formation of expectations and foresight as potential traders attempted to anticipate future conditions as a guide for their own actions.

The economic analysis derived from Jevons and Walras took on a fundamentally static quality, basically an attempt to stipulate the prerequisites for an equilibrium state. The "Austrian" approach derived from Menger's exposition had from its inception essential dynamic qualities that set it apart from other schools of thought over the years.³

The foundations laid by Menger in 1871 were developed further in the last two decades of the 19th century and in the first decade of the 20th century. The two most notable contributors to this endeavor and, in fact, the ones who gave the Austrian School its world-wide notoriety, were Eugen von Böhm-Bawerk and Friedrich von Wieser. Böhm-Bawerk extended the analysis to questions concerning the theory of capital and the origin and formation of interest.⁴ Wieser, appreciating Menger's insight that marginal utility and valuation are subjective estimates by the chooser, demonstrated that cost was a subjective phenomena as well, nothing more than the next best alternative or opportunity set aside or forgone when a choice and an exchange are made.⁵

III

Ludwig von Mises' contributions to the Austrian School spans over six decades and touches upon almost every major field of economic science. The most controversial of Mises' writings has undoubtedly been that portion devoted to questions concerning the methodology of the social sciences. Yet, at the same time, they are probably the most important of all his efforts. Indeed, what Mises attempted was a philosophical foundation for the entire edifice of economic science as it had developed from Adam Smith's first analysis of the spontaneous market order to Carl Menger's restatement of the principles of that spontaneous order based upon methodological individualistic grounds.^{6 7}

Mises' writings on methodology covered practically his entire career. His early statements on the subject were collected in 1933 under the title, Epistemological Problems of Economics.⁸ They were refined and integrated into a general economic treatise, Nationalökonomie (1940)⁹ and in its English-language counterpart, Human Action (1949),¹⁰ and restated in Theory and History (1957)¹¹ and in The Ultimate Foundations of Economic Science (1962).¹²

The unique quality characterizing the social sciences, as Mises sees it, is the animated purposefulness of human endeavors. Man, above all else, is the being who acts, who inquisitively looks out upon the world around, is conscious to opportunities to improve his lot and proceeds to apply means to the achievement of ends when circumstances are perceived by the actor as offering the possibility for success.

Purposefulness, consciousness to opportunities, perception of circumstances, are all attributes assignable only to individuals, whose concrete content are functions of the particular perspectives, circumstances and interpretations of the respective actors themselves. Social Science, therefore, is grounded at its start in methodological individualism and methodological subjectivism. The alpha and omega of social phenomena is the subjective world of acting man. The laws of nature and the physical environment may be the ultimate parameters within which human endeavors are possible and accomplishable; yet, it is the human actors perception of the possible and the attainable that will be the divining rod for action initiated.

We also see in this Misesian schema all the dynamic elements that dominated Menger's Grundsätze: imperfect knowledge, time and change, expectations and foresight. Each of these have implied residence in the concept of purposeful action, for action--conscious behavior directed towards selected goals--has logical meaning only where choice is seen as possible. And choice, as selection among alternative opportunities, has reality only where certain knowledge of the future is lacking. In turn, time and change, as Mises was wont to emphasize, is inseparable from action, as the very thought of action implied a becoming and a became.

The subjectivity of perception of the time-dimension of action, of the ends possible and the means available, of costs (as foregone opportunities) and benefits (as prospective gain in psychic improvement) resulted in Mises rejection of what he saw as Positivist imperialism, the interjection of the methods of the natural sciences into the social sciences. Application of the rules of "objective

science" to the social realm would require the abandonment of that quality that comprised the uniqueness of human events: appreciation of the subjective motivations directing human behavior that, in turn, generated the "objective," measurable magnitudes of the social world.

Yet, for Mises, this rejection of measurement and quantification as the standards for social science did not at the same time mean a collapse into Historicism, the argument that there are neither laws nor permanent regularities in the social world, only the historically unique and non-repeated.

The laws of social phenomena, Mises said, are derived from the logia of action which, itself, is one and the same with the logic of thought and reason. The processes of the market that tends for market prices to equal market costs, for supply to tend towards an equilibrium with demand, are all reducible to the logic guiding the actions of the respective individuals subsumed under the terms, "suppliers" and "demanders"--that the value of any particular means should not exceed the value of any particular end they serve.

This accounts, also, for what has usually been perceived as Mises' peculiar insistence that economic theory is both a priori and empirically truthful. It is a priori, for Mises, because the logic of action and its requisite categories of means and ends, costs and benefits, etc., must necessarily precede in thought the selection of any concrete end ^{and} the application of any concrete means and, therefore, the designating of something as one or the other. And it is empirically truthful because the logic of human thought precludes the conceiving of any conscious human action not operating within these categories, hence, it empirically reflects the essential qualities of all conscious human conduct.

The analytical schematic provided by the action categories serves as the filing system enabling the social scientist and economist to order and give intelligible interpretation to the complexity of the social world. Economic prediction and forecasting is fundamentally an attempt to act as, what Mises called, "the historian of the future."¹³ It is an attempt to order the concrete "facts" of the social world in a manner that reflects how the actors in that world themselves do so. And, furthermore, to project oneself into the future and attempt to anticipate how the respective actors over the future period will classify various entities as either means or ends, what expectations they will form about the most advantageous courses of action to undertake and to analyze both the intended and unintended consequences of that multitude of individual plans as they meet and mesh in the social arena.¹⁴

Mises' contributions to the various fields of economic science have all been attempts to one degree or another to apply this methodological structure to particular problems. As F.A. Hayek has perceptively pointed out, "...most peculiarities of [Mises'] views which at first strike many readers as strange and unacceptable trace to the fact that in the consistent development of the subjectivist approach he has for a long time moved ahead of his contemporaries."¹⁵

In monetary theory, for instance, Mises made one of the first successful applications of marginal utility analysis to explain the value of money by emphasizing the role of uncertainty and expectations in the actions of market participants. His classic work, The Theory of Money and Credit (1912; revised, 1924)¹⁶ and monograph, Monetary Stabilization and Cyclical Policy (1928),¹⁷ as well as portions of Human Action,¹⁸ however, contain much more than this. In the parlance of contemporary economics, Mises proceeded to develop a microeconomic

foundation for macroeconomic phenomena. Utilizing Böhm-Bawerk's capital theory and Knut Wicksell's distinction between the money and natural rate of interest, he devised a dynamic process analysis showing how changes in the money supply could generate shifts in income distribution, cause resource misallocations via relative price distortions and induce trade cycle fluctuations.

What distinguished Mises' approach from, for example, Irving Fisher's quantity theory of money was precisely his refusal to make the analytical jump (made by Fisher and others) from changes in the aggregate money stock to changes in the general "price level." Mises insisted upon a strict adherence to methodological individualism. Any explanations of statistically calculated changes in total employment and output or the "price level" needed to be dissected into the "step-by-step" sequential process of individual market actions, reactions and plan adjustments and readjustments following an increase (or decrease) in the money supply. Thus, the macroeconomic aggregates were to be decomposed into their microeconomic components by rigorously analyzing the "transmission mechanism" of a monetary injection.¹⁹

The same methodological considerations permeate Mises' famous writings on comparative economic systems. Already in the 1880's and 1890's, Wieser and, in particular, Böhm-Bawerk had critically evaluated the Marxian Labor Theory of Value and discovered fundamental defects in both the assumptions and the logic.²⁰ However, almost no thought had been given by either socialist or non-socialist economists to the efficacy of State economic planning as an alternative to a market economy. In a series of three books, Socialism (1922),²¹ Liberalism (1927)²² and Critique of Interventionism (1929)²³ Mises took up this very question.

Mises saw the issue as concerning questions of knowledge, change and adjustment--the Mengerian themes, once again. In the Walrasian world of general equilibrium, where it's assumed that the relevant supply and demand conditions are known and all markets are cleared at equilibrium prices, it superficially appears as if a "market" outcome and a "planned" outcome are interchangeable with each other.²⁴ What are the implications, however, if instead it's assumed that an economy is not in equilibrium and constant changes on both the demand and supply sides are an integral part of the system? In other words, what are the implications in the real world? How is the coordination of a multitude of individual human plans and activities to be brought about so as to assure a tendency towards an efficient allocation of scarce consumer goods and means of production.?

As Mises explained, in a market economy this is accomplished via the price mechanism: rivalrous entrepreneurs bid for the use or purchase of scarce factors of production based upon their respective anticipations of the relative consumer demands for either presently marketed or new products. Prices for those factors of production are formed out of the interaction of, on the one hand, entrepreneurs who have those expectations about the prices consumers would be willing to pay for the final output the productive factors could assist in producing and, on the other hand, owners of the productive factors who form expectations about alternative employment opportunities. The on-going process of profit and loss, in turn, assures that economic management of the scarce factors of production always tends to be in the hands of those entrepreneurs who demonstrate the capacity for forming more nearly correct foresight about changes in underlying market conditions.²⁵

Socialism, Mises argued, negated this entire process. With prohibition of private ownership of the means of production, no markets would exist upon which prices for the scarce resources could be generated. And without real market-created prices reflecting ever-changing supply and demand conditions no rational technique would exist for carrying out economic calculation for the estimation of least-cost methods of production. Hence, concluded Mises, the establishment of universal socialism would necessitate the demise of all rational economic planning.²⁶

Government intervention within a market order, Mises reasoned, ultimately created the same problems as socialism only in a more moderate form. To the extent that the interventions infringed upon the free market formation of prices and direction of production, to that extent market forces--i.e., entrepreneurial attempts to competitively satisfy consumer demands in the most efficient manner--were thwarted. Furthermore, as each government intervention would distort and disrupt the competitive market price structure, the government would continually face the problem of either extending its controls and regulations in an attempt to compensate for the imbalances its previous interventions had caused or repeal the existing interventions and allow a return to a competitive market arrangement. Thus, insisted Mises, an interventionist, mixed-economy was inherently unstable; logically it required either an extension of the interventions until all-round planning was established via a piecemeal process or else the Interventionist State contracted until that point at which a free market order predominated.²⁷

Mises' conclusion that a market economy was the only reasonable alternative to the problem of economic order was not meant by him to be taken as a personal value judgment on his part. Quite to the contrary, he saw it as a purely scientific conclusion to a scientific problem. Once a society is beyond a primitive economic state, or more exactly, if it is to get beyond such a state, there must exist a certain set of institutional structures that enables advantageous utilization of extensive division of labor. The growing complexity and dispersion of knowledge precludes any successful coordination via central direction. Some mechanism must assist in this endeavor and the price mechanism was just such an apparatus. A multitude of consumer preferences and entrepreneurial expectations could be successfully transmitted across a nation, across a continent and across the world through changes in market prices for both finished output and means of production.

Real market prices--reflecting real preferences, real expectations, real information about scarcity conditions--were impossible if ownership of the factors of production were outlawed, for without ownership there could be no trades, without potential trades there could be no bids and offers and without bids and offers there were no real prices. Interventions in a market economy, on the other hand, did not abrogate prices, but they could distort and disrupt the informational flow, thus seriously diminishing the efficiency of the society's extended use of the division of labor. Thus, as a scientist, Mises felt confident in saying that ultimately there was no alternative to a thoroughgoing market order.

IV

The essays contained in this collection, many previously unpublished, offer a convenient composite of "Misesian economics." They touch upon almost every aspect of economic and social theory that Mises considered of paramount importance. Furthermore, in many instances they offer examples of concrete application of Mises' theoretical schema that are not to be found in his other writings.

The first three essays, on "Method," carefully delineate the differences between the social and natural sciences, discuss the importance of value-freedom in social analysis and explain the distinction that Mises saw between his science of human action--praxeology--and the method of the German Historical School.

The next five essays, on "Money," discuss the unique position of money in economic exchange, the distortive effects monetary expansion can have on market activity and the devastating consequences of ever-worsening inflation.

The following four essays, on "Trade," focus on the economic dislocations and ⁱⁿefficiencies arising in a world of economic nationalism. Though mostly written in the 1940's and early 1950's, these essays are more relevant than ever. With third-world countries pursuing policies of self-sufficiency and a rising tide of protectionism in the industrialized western nations, Mises' warnings of the danger of international conflict and war in a world without ~~free~~ free trade is more cogent than ever.

The next six essays, on "Comparative Systems," touch upon the continuing clash between the free market order and collectivist economic planning, with detailed studies of socialism and the cooperative movement.

The final essay, on "The Role of Doctrines in Human History," emphasizes that the ultimate political economic contest is not between nations but between the ideas that rule men.

V

In the post-war years, the methodological thrust imbued in Mises' writings was inevitably bound to conflict with the Keynesian spirit of the times. For a wide range of theoretical and policy issues, microeconomics was declared a defective analytical device. Such a radically subjectivist microeconomic approach as Mises' was certain to be rejected. Instead, for special "macro"-economic problems different tools needed to be forged. The search was made to discover quantitative "functional" relationships that were postulated to exist between certain aggregate magnitudes, e.g., total investment and total employment, and total income and total consumption. The search had ended in dismal failure. It inevitably was bound to fail.

From the beginning its failure was preordained because Keynesianism was shot through and through with the fallacy of "conceptual realism"--the imputing to statistically derived magnitudes attributes and qualities both independent and different from their component parts. I can do no better than to quote from another economist, Arthur W. Marget, who, like Mises was washed away in the tidal wave of Keynesian

euphoria because he, too, questioned the very foundations of Keynes' system:

"It is a fundamental methodological proposition of 'modern' versions of the 'general' Theory of Value that all categories with respect to 'supply' and 'demand' must be unequivocally related to categories which present themselves to the minds of those 'economizing' individuals (or individual business firms) whose calculations, and actions based upon those calculations, make the 'supplies' and 'demands' realized in the market what they are...if such categories are to help us to understand why realized market events are what they are, they must in all cases refer to elements which are significant to those whose decisions and actions bring about these realized market events... the type of problem raised by the necessity for establishing a relation between these 'microeconomic' decisions and these 'macroeconomic' processes is not solved by the arbitrary introduction of an 'aggregate supply function' and an 'aggregate demand function' for industry as a whole, in defiance of the fact that neither of these 'functions' deals with elements which enter directly into the calculations of the individual entrepreneurs whose 'microeconomic' decisions and actions make 'macroeconomic' processes what they are. On the contrary, it must be said, of such an attempt at 'solution,' that it misconceives entirely the true nature of the relation between microeconomic analysis and macroeconomic analysis..."²⁸

The tragedy of all this is that its consequences far transcend scholarly questions of "pure theory." The Keynesian policies have done their work for over twenty years. Directing all their attention to "total" demand, "aggregate" employment and the general "price level," the Praetorian Guard of the aging "New Economics" has been blind to the warping effect their policies have had on the entire economic structure of production. Perpetual monetary injections by the central bank have disrupted the market price structure, created artificial employment opportunities into which countless workers have been drawn and induced massive misdirections

of labor and capital. And the Keynesians have been all but oblivious to these microeconomic consequences of their macroeconomic policies.

The inevitable result of any slowdown in inflation is a collapse of the artificially-created relative price structure and symptoms of a recession develop as the misallocations and malinvestments begin to show themselves in various parts of the economy. The equally inevitable result is an attempt by the monetary authorities to prop-up the "sagging economy" through new doses of money and credit. The political sensibilities of politicians across the entire political spectrum makes it near impossible to break the cycle.²⁹

Yet, the cycle must be broken. The present time seems to offer a chance. With orthodox Keynesianism in disrepute, with a new and growing awareness and sympathy for the free market among economists and with the growing concern among the general public over the degree of government intervention in social and economic affairs, just such a turn-a-round might be possible.

The present volume of essays, by one of the leading figures in 20th century economic thought, and touching on almost every major issue of the day, can serve as an important handbook in bringing about the necessary ideological and methodological turn-a-round.

Footnotes to Introduction

- ** Ludwig von Mises was born in Lemburg, Austria-Hungary on September 29, 1881. After studying with Böhm-Bawerk, he received his doctorate degree from the University of Vienna in 1906. He taught at the University of Vienna (1913 & 1918-1938), was Economic Advisor to the Austrian Chamber of Commerce (1909-1934) and served as Director of the League of Nations' Austrian Reparations Commission (1918-1920). In 1927, he founded the Austrian Institute for Trade Cycle Research. Professor Mises also taught at the Graduate Institute for International Studies in Geneva (1934-1940) and at New York University (1945-1969). Professor Mises died on October 10 1973, at the age of 92.
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 4. Eugen von Böhm-Bawerk, Capital and Interest, 3 vols. (South Holland: Libertarian Press, 1959).
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19. Richard M. Ebeling, ed., The Austrian Theory of the Trade Cycle and Other Essays by Ludwig von Mises, Gottfried Haberler, Murray N. Rothbard and Friedrich A. Hayek (New York: Center for Libertarian Studies, Sept., 1978)
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24. This is not to suggest that Walras believed that a "planned" solution was interchangeable with a "market" solution. Indeed, he emphasized that the problem was too complex for any solution other than that provided by the competitive market, see, Leon Walras, Elements of Pure Economics (New York: Augustus M. Kelley [1954] 1969) p. 106.
25. Mises, Human Action, pp. 257-397; and, Mises, "Profit and Loss," in Planning for Freedom (South Holland: Libertarian Press, enlarged ed., 1980) pp. 108-150

26. Mises, Human Action, pp.689-715; also, Mises, "Economic Calculation in the Socialist Commonwealth," [1920] in Collectivist Economic Planning, ed. by F.A. Hayek (London: Routledge & Sons, Ltd., 1935) 87-130. For an extended summary of Mises contribution to the socialist calculation debate, see, Murray N. Rothbard, "Ludwig von Mises and Economic Calculation under Socialism," in The Economics of Ludwig von Mises, Toward a Critical Reappraisal ed. by Laurence S. Moss (Kansas City: Sheed Andrews & McMeel, Inc., 1976) pp. 67-77; and, Karen I. Vaughn, "Economic Calculation under Socialism: The Austrian Contribution," Economic Inquiry (Oct., 1980) pp. 535-554
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