

Mises: The Impact of Ideas

by William H. Peterson

Ideas direct thinking, govern lives, and forge history. The impact of ideas is a theme that echoes and re-echoes in the works of Ludwig von Mises (1881-1973). Mises held that man is a thinking and acting being, that his values are highly subjective, that he can be swayed by political parties and spurious doctrines, that choosing determines every one of his decisions, that he should never relax in his quest for truth, that in the end his only weapon in the war on error is reason.

Mises held further that correct ideas are crucial to the human race, that the very essence of the human condition is the inescapable and insurmountable dualism of that condition: the dualism of man's two separate, distinct, unbridgeable, and not always perceptible or completely understandable realms.

One realm is physical, the outer world of corporeal, material, external reality—the reality that impinges on the senses, the things we can see, hear, taste, touch, and feel, the reality that reflects such mysterious earth forces as energy, gravity, electricity, and rotation. This, too, is the world of not-always-hospitable nature, of what Darwin viewed as the struggle for existence and survival of the fittest for all the earth's species.

It is also the external world of chemistry, physics, biology, physiology, geology, meteorology, and other hard “natural” sciences that help unlock some of the mysteries of the universe, of the world of flora and fauna, of tooth and fang, of earth-

quakes and hurricanes, of droughts and floods, and of—insofar as economics is concerned—stark scarcity.

The other realm is mental, abstract, intangible, almost ethereal, the inner world of the individual and his unique individuality, of his different and changing *ideas*, thoughts, ends, feelings, values, aims, missions, emotions, goals, intentions, purposes, ideologies, and traditions, the internal world of reason and reasoning, including false reasoning, the broad and largely uncharted universe of the human mind.

This is, in addition, the internal world where man ineluctably has to align and realign, continuously, his chosen ends with chosen means, to cope, again continuously, with endless scarcity, with the ceaseless change long ago spotted by Heraclitus, with social relations, religious questions, political problems, family matters, and all other praxiological concerns.

It is this inner realm—impacted by ideas—that generates thinking, that stirs emotions, that impels human action, that facilitates change for better or worse, that alterably shapes and shakes the future and, to a degree, the outer realm, that makes or breaks social cooperation, especially via politics, that sows peace or wages war—that hence determines man's fate—in the past, present, and future.

So, to repeat the observation of Mises, ideas direct thinking, govern lives, and forge history. Which is why *Economic Freedom and Interventionism: An Anthology of Articles and Essays* by Ludwig von Mises as selected and edited by Bettina Bien Greaves (Foundation for Economic Education, Irvington-on-Hudson, New York 10533,

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250 pages, \$29.95 cloth, \$14.95 paper) is so vital and timely.

This fistful of ideas, this welcome and most readable book (with sideheads to ease the reading further) constitutes another chance for the West to re-examine the remarkable thought of a giant of our age. It marks another intellectual tie to the Mises legacy of understanding man's critical spheres of economics and politics, of telling us what we can do about them before it is too late. It is hence a book on human survival as well as human understanding.

Mrs. Greaves, a close friend of Mises and a faithful student in his famous graduate seminar at New York University, notes that she collected some of these articles from Mises himself and others from such sources as the Institute for Humane Studies, Liberty Fund, Regnery Gateway, *National Review*, *The Freeman*, and *The Commercial and Financial Chronicle*. She thoughtfully collates the 47 pieces, most of them out-of-print or not easily available, into four sections: Economic Freedom, Interventionism, Mises As Critic, and Economics and Ideas. Ideas of course permeate the entire anthology—much-needed ideas of a most constructive sort.

Take the Marxist idea of class conflict, for example, and the Mises idea in response. In an article reprinted here from *Christian Economics* of October 3, 1961, Mises takes Marx to task. Mises notes how the emerging market or contractual society of some two or three centuries ago soon obliterated the class lines drawn by serfdom and slavery.

Yet, maintains Mises, class or status survives today only by government fiat in such dubious taxonomy and forms as subsidies (which views farmers, for example, as a class), discriminatory taxation (which converts, among others, smokers, drinkers, and the rich into classes), affirmative action (which converts race and gender into classes), and union privileges (which transform employees into a class). So classes today become legal fictions and, by law, social frictions. In this sense, Marx's class struggle does persist, an undeserved triumph for the Left.

Indeed, in the posthumously published third volume of *Das Kapital*, observes Mises, Marx was at his wit's end on how to sustain the validity of his dogma of the class struggle. He failed to solve the puzzle and so abruptly ended his manuscript with but a one-page chapter (the 52nd) on "The Class-

es," with his editor Friedrich Engels succinctly noting: "Here the manuscript breaks off." But Marx died many years after he ceased work on his major opus; and Mises sees that Marx had painted himself into a corner, simply unable to put forth a credible definition of classes in a capitalistic age.

Or consider the Keynesian idea of the business cycle. In an article here reprinted from *The Freeman* of September 24, 1951, Mises attacks that idea in commenting on Keynesian Alvin Hansen's book, *Business Cycles and National Income* (Norton, 1951). In it Harvard Professor Hansen upholds the concept of counter-cyclical macro-demand management by the government, dwells on such supposed causal factors as general overinvestment and overproduction (thereby ignoring the insight of classical economist Jean Baptiste Say and his Law of Markets), and castigates those who see credit expansion and inflation as the underlying causes of the cycle.

Rebuts Mises with a better idea: "People must learn that the only means to avoid the recurrence of economic catastrophes is to let the market—and not the government—determine interest rates. There is but one pattern of positive counter-cyclical policies, viz., *not* to increase the quantity of money in circulation and bank deposits subject to check. Deficit spending by borrowing from the commercial banks is the surest way toward economic disaster."

Or look at the idea of government interventionism and the alleged need for supernational governments such as the European Community (which comes into full force in 1992). In a 1955 article commenting on *How Can Europe Survive?* by Hans Sennholz (Van Nostrand, 1955), Mises hails the Sennholz idea that the economic disintegration of then un-united Western Europe is hardly the outcome of the unhampered operation of the capitalistic market order.

It is rather, holds Sennholz, seconded by Mises, the result of the various West European governments (some ruled by outright socialist parties) erecting welfare states, interfering with domestic industries, even nationalizing some of them, restricting foreign trade and investment, and engendering economic retaliation in return. The further result is—no surprise!—widespread economic isolationism and consequent European disintegration, even though this disintegration did eventually lead to the concept and implementation