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LUDWIG VON MISES

Edited and with a Foreword by Bettina Bien Greaves

LIBERTY FUND    Indianapolis
CHAPTER III  Bureaucratic Management of Publicly Owned Enterprises
  1. The impracticability of government all-round control 47
  2. Public enterprise within a market economy 49

CHAPTER IV  Bureaucratic Management of Private Enterprises
  1. How government interference and the impairment of the profit motive drive business toward bureaucratization 53
  2. Interference with the height of profit 54
  3. Interference with the choice of personnel 57
  4. Unlimited dependence on the discretion of government bureaus 59

CHAPTER V  The Social and Political Implications of Bureaucratization
  1. The philosophy of bureaucratism 61
  2. Bureaucratic complacency 63
  3. The bureaucrat as a voter 66
  4. The bureaucratization of the mind 67
  5. Who should be the master? 72

CHAPTER VI  The Psychological Consequences of Bureaucratization
  1. The German youth movement 76
  2. The fate of the rising generation within a bureaucratic environment 79
  3. Authoritarian guardianship and progress 82
  4. The selection of the dictator 84
  5. The vanishing of the critical sense 85

CHAPTER VII  Is There Any Remedy Available?
  1. Past failures 89
  2. Economics versus planning and totalitarianism 90
  3. The plain citizen versus the professional propagandist of bureaucratization 94

Conclusion 99
Index 103
EDITOR’S FOREWORD

When this book appeared in 1944, World War II was raging. Socialism then prevailed in Britain, Germany, and the USSR. In the United States also, self-styled progressives were fully convinced that socialism was the wave of the future. “Our age,” Professor Mises wrote, “has witnessed a triumphal advance of the socialist cause.” According to him, “The problems involved in the antagonism between socialism and capitalism can be attacked from various viewpoints. At present it seems as if an investigation of the expansion of bureaucratic agencies is the most expedient avenue of approach. An analysis of bureaucratism offers an excellent opportunity to recognize the fundamental problems of the controversy” (see p. xiii).

By 1962, when the second edition of Bureaucracy was published, socialism per se, i.e., “all-round planning by a central authority,” had largely been discredited. Government interventionism had replaced socialism as the guide for political policy. Mises recognized this shift in a new preface: “[S]ome of the idols of 1944 have lost their halos. But the essential characteristics of the political problems involved have not changed. The great historical conflict between individualism and collectivism is [still] dividing mankind. Therefore,” he said, “the investigation of the contrast between bureaucratic and business management is still of current importance” (see p. xvi).

In many respects, the climate of opinion has changed since 1962. Today lip service is paid to freedom and free markets, although most people believe that government must interfere with the market to preserve free enterprise. Countless government interventions have been enacted, with the best of intentions—to regulate interest rates and the quantity of money; to fix some prices and wages; to provide “social security” and medical care to the elderly; to control international trade; to restrict drug trafficking; to relieve poverty and unemployment; to subsidize
schools, farmers, and businesses; to restrict racial, religious, and sexual discrimination in schools and the workplace; etc.

Such programs have become widely accepted as integral to the American way of life. Yet all such programs introduce coercion and compulsion into the marketplace, interfere with market phenomena, and must be implemented by bureaucratic rules and regulations. They disturb the harmony that is brought about in the private property market economy by supply and demand and by free and open competition. Government interventions are no part of a truly liberal economy. They create “winners” and “losers,” help some at the expense of others, and, if not modified or repealed, may lead to problems requiring still further intervention. As Mises has written, government interventions, no matter how well intentioned, have unintended and undesired consequences: “All varieties of interference with the market phenomena not only fail to achieve the ends aimed at by their authors and supporters, but bring about a state of affairs which—from the point of view of their authors’ and advocates’ valuations—is less desirable than the previous state of affairs which they were designed to alter” (Human Action, p. 858).

A majority of the American people today believe in the need for government intervention to protect them from what they believe are dangers inherent in capitalism. Only a small minority grasp the significance of Mises’s fundamental and most important thesis—that there is in the free market economy, in a truly liberal world, a harmony among rightly understood interests. “There are in the market economy no conflicts between the interests of the buyers and sellers. There are disadvantages caused by inadequate foresight. . . . What secures the best possible satisfaction of the demands of each member of society is precisely the fact that those who succeeded better than other people in anticipating future conditions are earning profits” (Human Action, p. 665).

Mises reminded us in Planning for Freedom that trends can change; they have changed in the past and they will change again in the future. As socialism yielded to government intervention, so may political reform in the future expand free markets and reduce government interference in the economy. To accomplish that, however, the ideas of the people must be changed. “If the majority of the nation is committed to unsound principles and prefers unworthy office-seekers, there is no remedy other than to try to change their mind by expounding more reasonable principles and recommending better men. A minority will never win lasting success by other means” (Human Action, p. 150).
According to Mises, the sole legitimate purpose of government is to protect equally the lives and property of all its citizens, leaving them all free to pursue their own goals so long as they do not use force or threat of violence to interfere with the equal rights of others. Mises’s great contribution has been to explain how and why, when government fulfills that legitimate role, there prevails in the free market economy harmony among rightly understood interests. In contrasting bureaucratic and business (profit and loss) management, as he does in this book, he offers one chapter in that explanation.

Bettina Bien Greaves
September 2006
The main issue in present-day social and political conflicts is whether or not man should give away freedom, private initiative, and individual responsibility and surrender to the guardianship of a gigantic apparatus of compulsion and coercion, the socialist state. Should authoritarian totalitarianism be substituted for individualism and democracy? Should the citizen be transformed into a subject, a subordinate in an all-embracing army of conscripted labor, bound to obey unconditionally the orders of his superiors? Should he be deprived of his most precious privilege to choose means and ends and to shape his own life?

Our age has witnessed a triumphal advance of the socialist cause. As much as half a century ago an eminent British statesman, Sir William Harcourt, asserted: “We are all socialists now.” At that time this statement was premature as far as Great Britain was concerned, but today it is almost literally true for that country, once the cradle of modern liberty. It is no less true with regard to continental Europe. America alone is still free to choose. And the decision of the American people will determine the outcome for the whole of mankind.

The problems involved in the antagonism between socialism and capitalism can be attacked from various viewpoints. At present it seems as if an investigation of the expansion of bureaucratic agencies is the most expedient avenue of approach. An analysis of bureaucratism offers an excellent opportunity to recognize the fundamental problems of the controversy.

Although the evolution of bureaucratism has been very rapid in these last years, America is still, compared with the rest of the world, only superficially afflicted. It shows only a few of the characteristic features of bureaucratic management. A scrutiny of bureaucratism in this country

would be incomplete therefore if it did not deal with some aspects and results of the movement which became visible only in countries with an older bureaucratic tradition. Such a study must analyze the experiences of the classical countries of bureaucratism—France, Germany, and Russia.

However it is not the object of such occasional references to European conditions to obscure the radical difference which exists, with regard to bureaucratism, between the political and social mentality of America and that of continental Europe. To the American mind the notion of an Obrigkeit, a government the authority of which is not derived from the people, was and is unknown. It is even extremely difficult to explain to a man for whom the writings of Milton and Paine, the Declaration of Independence, the Constitution, and the Gettysburg Address are the fountain springs of political education, what this German term Obrigkeit implies and what an Obrigkeits-Staat is. Perhaps the two following quotations will help to elucidate the matter.

On January 15, 1838, the Prussian Minister of the Interior, G. A. R. von Rochow, declared in reply to a petition of citizens of a Prussian city: “It is not seemly for a subject to apply the yardstick of his wretched intellect to the acts of the Chief of the State and to arrogate to himself, in haughty insolence, a public judgment about their fairness.” This was in the days in which German liberalism challenged absolutism, and public opinion vehemently resented this piece of overbearing bureaucratic pretension.

Half a century later German liberalism was stone dead. The Kaiser’s Sozialpolitik, the statist system of government interference with business and of aggressive nationalism, had supplanted it. Nobody minded when the Rector of the Imperial University of Strassburg quietly characterized the German system of government thus: “Our officials . . . will never tolerate anybody’s wresting the power from their hands, certainly not parliamentary majorities whom we know how to deal with in a masterly way. No kind of rule is endured so easily or accepted so gratefully as that of high-minded and highly educated civil servants. The German State is a State of the supremacy of officialdom—let us hope that it will remain so.”

Such aphorisms could not be enunciated by any American. It could not happen here.

2. Georg Friedrich Knapp in his Presidential Address, delivered on May 1, 1891. This speech was published in many reprints. The words quoted are to be found on p. 86 of the 1909 edition of Die Landarbeiter in Knechtschaft und Freiheit.