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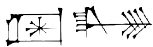
LUDWIG VON MISES

Economic Policy

Thoughts for Today and Tomorrow

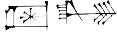
∞ LUDWIG VON MISES

Edited and with an Introduction by Bettina Bien Greaves



LIBERTY FUND *Indianapolis*

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The cuneiform inscription that serves as our logo and as the design motif for our endpapers is the earliest-known written appearance of the word “freedom” (*amagi*), or “liberty.” It is taken from a clay document written about 2300 B.C. in the Sumerian city-state of Lagash.

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This is based on the second edition of *Economic Policy*, which was published in 1995 by Free Market Books.

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Frontispiece courtesy of Bettina Bien Greaves

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Printed in the United States of America

C 10 9 8 7 6 5 4 3 2 1
P 10 9 8 7 6 5 4 3 2 1

Library of Congress Cataloging-in-Publication Data

Von Mises, Ludwig, 1881–1973.

Economic policy: thoughts for today and tomorrow / Ludwig von Mises; edited and with an introduction by Bettina Bien Greaves.

p. cm.—(Liberty Fund library of the works of Ludwig von Mises)

Originally published: 2nd ed. / with a new introduction by Bettina Bien Greaves. Irvington-on-Hudson, New York: Free Market Books, c1995.

“Foreword by Margit von Mises”—P. .

Includes bibliographical references and index.

ISBN 978-0-86597-735-8 (hardcover: alk. paper)—

ISBN 978-0-86597-736-5 (pbk.: alk. paper)

1. Economics. 2. Economic policy. 3. Comparative economics.

4. Industrial policy. I. Greaves, Bettina Bien. II. Title.

III. Series: Von Mises, Ludwig, 1881–1973. Works. 2005.

HB171 .V6 2010

330.15'7—dc22

2008029253

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Indianapolis, Indiana 46250-1684

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INTRODUCTION

The ideal economic policy, both for today and tomorrow, is very simple. Government should protect and defend against domestic and foreign aggression the lives and property of the persons under its jurisdiction, settle disputes that arise, and leave the people otherwise free to pursue their various goals and ends in life. This is a radical idea in our interventionist age. Governments today are often asked to regulate and control production, to raise the prices of some goods and services and to lower the prices of others, to fix wages, to help some businesses get started and to keep others from failing, to encourage or hamper imports and exports, to care for the sick and the elderly, to support the profligate, and so on, and on, and on.

Ideally government should be a sort of caretaker, not of the people themselves, but of the conditions which will allow individuals, producers, traders, workers, entrepreneurs, savers, and consumers to pursue their own goals in peace. If government does that, and no more, the people will be able to provide for themselves much better than the government possibly could. This in essence is the message of Professor Ludwig von Mises in this small volume.

Professor Mises (1881–1973) was one of the twentieth century's foremost economists. He was the author of profound theoretical books such as *Human Action*, *Socialism, Theory and History*, and a dozen other works. However, in these lectures, delivered in Argentina in 1959, he spoke in nontechnical terms suitable for his audience of business professionals, professors, teachers, and students. He illustrates theory with homespun examples. He explains simple truths of history in terms of economic principles. He describes how capitalism destroyed the hierarchical order of European feudalism, and discusses the political consequences of various kinds of government. He analyzes the failures of socialism and the welfare state and shows what consumers and work-

ers can accomplish when they are free under capitalism to determine their own destinies.

When government protects the rights of individuals to do as they wish, so long as they do not infringe on the equal freedom of others to do the same, they will do what comes naturally—work, cooperate, and trade with one another. They will then have the incentive to save, accumulate capital, innovate, experiment, take advantage of opportunities, and produce. Under these conditions, capitalism will develop. The remarkable economic improvements of the eighteenth and nineteenth centuries and Germany’s post–World War II “economic miracle” were due, as Professor Mises explains, to capitalism:

[I]n economic policies, there are no miracles. You have read in many newspapers and speeches, about the so-called German economic miracle—the recovery of Germany after its defeat and destruction in the Second World War. But this was no miracle. It was the application of the *principles of the free market economy*, of the methods of capitalism, even though they were not applied completely in all respects. Every country can experience the same “miracle” of economic recovery, although I must insist that economic recovery does *not* come from a miracle; it comes from the adoption of—and is the result of—sound economic policies. (p. 11)

So we see that the best economic policy is to limit government to creating the conditions which permit individuals to pursue their own goals and live at peace with their neighbors. Government’s obligation is simply to protect life and property and to allow people to enjoy the freedom and opportunity to cooperate and trade with one another. In this way government creates the economic environment that permits capitalism to flourish:

The development of capitalism consists in everyone’s having the right to serve the customer better and/or more cheaply. And this method, this principle, has, within a comparatively short time, transformed the whole world. It has made possible an unprecedented increase in world population. (p. 4)

When government assumes authority and power to do more than this, and abuses that authority and power, as it has many times throughout history—notably in Germany under Hitler, in the U.S.S.R. under Stalin, and in Argentina under Perón—it hampers the capitalistic system and becomes destructive of human freedom.

Dictator Juan Perón, elected president in 1946, was in exile when Mises visited Argentina in 1959, having been forced out of the country in 1955. His wife, the popular Eva, had died earlier, in 1952. Although Perón was out of the country, he had many supporters and was still a force to be reckoned with. He returned to Argentina in 1973, was again elected president and, with his new wife Isabelita as vice president, ruled until he died ten months later. His widow, Isabelita, then took over until her administration, charged with corruption, was finally ousted in 1976. Argentina has had a series of presidents since then and has made some strides toward improving her economic situation. Life and property have been accorded greater respect, some nationalized industries have been sold to private buyers, and the inflation has been slowed.

The present work is a felicitous introduction to Mises's ideas. They are, of course, elaborated more fully in *Human Action* and his other scholarly works. Newcomers to his ideas would do well, however, to start with some of his simpler books such as *Bureaucracy*, or *The Anti-capitalistic Mentality*. With this background, readers will find it easier to grasp the principles of the free market and the economic theories of the Austrian school that Mises presents in his major works.

Bettina Bien Greaves
February 1995

Addendum

Unfortunately, the trend toward free markets noted in 1995 has not continued. Frequent changes of government and presidents have brought increased inflation and more economic interventionism to Argentina.

To make this work even more accessible to the reader, subheadings have been added to this Liberty Fund edition.

Bettina Bien Greaves
October 2006