



MONETARY AND ECONOMIC POLICY PROBLEMS
BEFORE, DURING, AND AFTER THE GREAT WAR

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EDITED BY RICHARD M. EBELING

Selected Writings of Ludwig von Mises
Volume 1: Monetary and Economic Policy Problems Before,
During, and After the Great War
Volume 2: Between the Two World Wars: Monetary Disorder,
Interventionism, Socialism, and the Great Depression
Volume 3: The Political Economy of International Reform
and Reconstruction



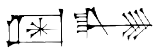
LUDWIG VON MISES

Selected Writings of Ludwig von Mises

*Monetary and Economic Policy Problems
Before, During, and After the Great War*



Edited and with an Introduction by
Richard M. Ebeling



LIBERTY FUND *Indianapolis*

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CONTENTS

Acknowledgments	ix	
Preface	xi	
Introduction	xv	
Part 1	Austro-Hungarian Monetary and Fiscal Policy Issues Before the First World War	
1	The Political-Economic Motives of the Austrian Currency Reform	3
2	The Problem of Legal Resumption of Specie Payments in Austria-Hungary	31
3	The Foreign Exchange Policy of the Austro-Hungarian Bank	83
4	On the Problem of Legal Resumption of Specie Payments in Austria-Hungary: A Reply to Walther Federn	95
5	The Fourth Issuing Right of the Austro-Hungarian Bank	104
6	Financial Reform in Austria	117
7	The General Rise in Prices in the Light of Economic Theory	131
8	On Rising Prices and Purchasing Power Policies	156
9	Disturbances in the Economic Life of the Austro-Hungarian Monarchy During the Years 1912–1913	168
Part 2	Economic Policy Issues in the Midst of the Great War	
10	On the Goals of Trade Policy	185
11	Inflation	209
12	On Paying for the Costs of War and War Loans	216
13	Remarks Concerning the Problem of Emigration	227

Part 3	Austrian Fiscal and Monetary Problems in the Post-War Period	
14	Monetary Devaluation and the National Budget	235
15	For the Reintroduction of Normal Stock Market Practices in Foreign Exchange Dealings	240
16	On Carl Menger's Eightieth Birthday	244
17	How Can Austria Be Saved? An Economic Policy Program for Austria	248
18	The Claims of Note Holders upon Liquidation of the Bank	252
19	The Austrian Currency Problem Thirty Years Ago and Today	259
20	The Restoration of Austria's Economic Situation	264
21	The Austrian Problem	271
22	The Gold-Exchange Standard	274
23	The Social Democratic Agrarian Program	279
24	America and the Reconstruction of the European Economy	282
25	The Currency and Finances of the Federal State of Austria	287
26	The Economic Crisis and Lessons for Banking Policy	296
Part 4	Interventionism, Collectivism, and Their Ideological Roots	
27	The Economic System of Interventionism	303
28	Economic Order and the Political System	308
29	Remarks Concerning the Ideological Roots of the Monetary Catastrophe of 1923	316
Appendixes		
A.	Maxims for the Discussion of the Methodological Problems of the Social Sciences: Paper Delivered at the Private Seminar	325
B.	Short Curriculum Vitae of Mayer Rachmiel Mises of Lemberg	333
Index		337

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The primary translators of the articles in this volume were the late Dr. Herbert Izzo and Dr. Rebecca Garber, with individual pieces translated by Wolfgang Grassl, Mary M. Custer, and Andrew Swift. To all of them I extend my most sincere thanks for making my work as editor that much easier. Dr. Izzo, an expert in both Romance and Germanic languages, had helped in the translation of many of the pieces that also appeared in volume 2 of these *Selected Works*. He was also a valued friend who deeply believed in the ideas of liberty, and whom I greatly miss.

The project would have never begun if former Hillsdale College president Dr. George Roche (1935–2006) had not immediately thrown the complete support of the college behind the work after my wife, Anna, and I discovered in 1996 that Mises's "lost papers" that had been looted by the Nazis from his Vienna apartment in 1938 had survived the war, and were preserved in a former secret Soviet archive in Moscow, Russia. He and Mr. John Cervini, Hillsdale College director for development, promptly arranged the financial support for Anna and me to travel to Moscow in October 1996 to obtain photocopies of virtually the entire collection of 10,000 pages of material.

I also owe a deep debt of gratitude to Liberty Fund of Indianapolis

for enthusiastically expressing an interest in publishing a large selection of these recovered documents and other related papers and essays in the three-volume set that is now, finally, in print. I particularly wish to thank Alan Russell and Chris Talley, who are senior officers at Liberty Fund, and Manuel Ayau, Leonard Liggio, and Giancarlo Ibarguen, who serve on Liberty Fund's board of directors, all of whom I have known for many years, and whose friendship and support I greatly appreciate. I also owe a sincere thanks to Mr. Dan Kirklin of Liberty Fund, who has very helpfully assisted in the final editing process for this volume.

I would be remiss if I did not also mention Ludwig von Mises's widow, Margit (1890–1993), who took me under her wing when I was a graduate student in New York many years ago, sharing her knowledge about her husband and the old Vienna before the Second World War, as well as encouraging my interest in her husband's work. Margit kindly introduced me to her daughter, Gitta Sereny, who shared her knowledge and memories of her stepfather, Ludwig von Mises. Gitta and her husband, Donald Honeyman, graciously gave of their time during several trips that Anna and I made to London, where they live.

I also owe thanks to Bettina Bien Greaves, who for many years worked at the Foundation for Economic Education (FEE) in Irvington, New York. Already when I was an undergraduate in the 1970s, Bettina was sharing with me hard-to-get articles by Mises, and was the first one who told me about how the Nazis had plundered Mises's apartment in Vienna and had taken away his papers, manuscripts, and other personal and family documents, many of which have now seen the light of day in these *Selected Writings*.

As I have said in acknowledgments in the previous volumes in this series, my greatest debt is to my wife, Anna. It was through her friends and contacts in her native city of Moscow that we were able to gain entrée to that former secret archive and acquire copies of the "lost papers." She first organized the papers in a logical and systematic way when we returned to Hillsdale College, and has assisted me in every step of the process leading to their publication. She was especially helpful in the preparation of this volume in doing much of the research for the editor's footnotes that are included in the chapters.

But most important, she has never wavered in her support and insistence that I bring the project to a successful conclusion. Her love and companionship have made everything that I do meaningful and worthwhile.

PREFACE

This three-volume set of the *Selected Writings of Ludwig von Mises* has been published in reverse chronological order. The current volume, the last prepared in the series, in fact, is devoted to some of the earliest of Mises's writings on a variety of economic issues. They mostly cover monetary, fiscal, and general economic policy matters in the Austro-Hungarian Empire before and during the First World War, with additional articles that Mises wrote in the postwar period that had not been included in volume 2. An appendix to the present volume includes a talk that Mises delivered at his private seminar, which would meet in his office at the Vienna Chamber of Commerce, in the spring of 1934 on the methodology of the social sciences, before he moved to Geneva, Switzerland; and the curriculum vitae that his great-grandfather prepared for the Habsburg Emperor in 1881 as part of his ennoblement that gave him and his heirs the hereditary title of "Edler von."

It is in the second volume of the *Selected Writings* (2002), *Between the Two World Wars: Monetary Disorder, Interventionism, Socialism, and the Great Depression*, that the reader will find a large collection of Mises's many articles and policy pieces from the 1920s and 1930s dealing with the Great Austrian Inflation, fiscal and regulatory mismanagement by the government, and the negative effects of numerous forms of government intervention and controls before and during the Great Depression. The volume also includes critiques of socialist central planning and his defense of *praxeology*, the science of human action.

The third volume of the *Selected Writings* (2000), *The Political Economy of International Reform and Reconstruction*, focuses on Mises's writings mostly from the first half of the 1940s. In the midst of the Second World War, Mises lectured and wrote on the pressing issues of how Europe, small nations, and underdeveloped countries could re-

cover from war and poverty and start on the path to economic renewal and prosperity.

Each volume begins with an introduction in which I try to explain the historical context in which Mises wrote the pieces in that particular volume. I have also tried to assist the reader with footnotes explaining some of the ideas, persons, events, or geographical locations to which Mises refers in the text.

This project developed out of the discovery of the “lost papers” of Ludwig von Mises in a formerly secret KGB archive in Moscow, Russia, in 1996. Looted by the Gestapo from Mises’s Vienna apartment in March 1938 shortly after the Nazi annexation of Austria into the German Third Reich, they ended up among a huge cache of stolen documents, papers, and archival collections that the Nazis had plundered from all over occupied Europe. At the end of the Second World War the entire cache, including Mises’s papers, was captured by the Soviet Red Army in a small town in western Czechoslovakia. After being informed about what had been captured, Stalin instructed that it all be brought to Moscow and that a secret archive be built to house it. For half a century, only the Soviet secret police and the Soviet Ministry of Foreign Affairs had access to the collections in this archive.

In the introduction to volume 2 in these *Selected Writings of Ludwig von Mises*, I describe in detail how my wife and I came to find out about this archive and the existence of Mises’s papers among them, amounting to about 10,000 pages of material. In October 1996, we journeyed to Moscow and spent about two weeks carefully going through the entire collection of Mises’s papers. We returned to the United States with photocopies of virtually the entire collection, which includes Mises’s correspondence, unpublished manuscripts, published articles, policy memoranda prepared during the years when he worked for the Vienna Chamber of Commerce, material relating to his teaching at the University of Vienna and his famous private seminar, and his military service during the First World War. Many of the articles, policy memoranda, essays, and speeches that were found among Mises’s “lost papers” have been included in this series, especially in volumes 1 and 2 of his *Selected Writings*.

Shortly after the discovery of the “lost papers” was announced, Liberty Fund contacted Hillsdale College and me about the possibility of publishing a selection of these and some of Mises’s related essays, lectures, and articles covering the period from before the First World War

to the 1940s during the Second World War. I most happily accepted Liberty Fund's kind offer to serve as editor of the translations (mostly from German) and to prepare the volumes for publication.

It has been a labor of love that has ended up taking far longer to complete than I had expected. A good part of the delay in finishing the last of these volumes was due to a five-year "distraction" during which I served as the president of the Foundation for Economic Education (FEE) from 2003 to 2008. But my return to the "calmer" life of academia has permitted me to finally finish the task.

Ludwig von Mises is most famous for his great works on monetary theory, socialist central planning, the general theory of the market process, and the methodology of the social sciences, the leading ones, of course, being *The Theory of Money and Credit*; *Socialism: An Economic and Sociological Analysis*; *Liberalism*; *Critique of Interventionism*; *Epistemological Problems of Economics*; *Bureaucracy*; *Omnipotent Government*; *Human Action: A Treatise on Economics*; *Theory and History*; and *The Ultimate Foundations of Economic Science*.

But what the *Selected Writings of Ludwig von Mises*, in general, bring out is the "unknown Mises," if you will. Not the Mises of grand economic theory and sweeping political economy, or the fundamental problems of human action. Here, instead, is Mises as applied economist, detailed policy analyst, and economic policy problem-solver in the detailed reality of the many pressing public policy issues that confronted the old Austro-Hungarian Empire and the new Austrian Republic in the aftermath of the Great War, and then the need for reconstruction and economic reform after the Second World War.

For those who have sometimes asked, "Well, but how do you apply Austrian economics to the 'real world' of public policy?" here is the answer by the economist who was considered the most original, thoroughgoing, and uncompromising member of the Austrian School in the twentieth century!

Indeed, it can be argued that it was having to grapple with the intricacies of these types of everyday economic policy issues during a time of great, and sometimes cataclysmic, change in the Europe and the Austria of the first half of the twentieth century that helped to guide and form Mises's thinking on those wider and more general problems for which he is most famous.

The *Selected Writings of Ludwig von Mises* provide an insight into and a better understanding of the first two-thirds of Mises's long and

productive life as a professional economist in a way that has not been available before. It also brings into English translation for the first time the vast majority of his practical economic policy writings from this, in many ways his most prolific, period before he left war-ravaged Europe in 1940 to make a new home and career for himself in the United States.

INTRODUCTION

The articles and lectures included in this volume by the Austrian economist Ludwig von Mises were written in the years before, during, and after the Great War of 1914–18, as the First World War used to be called. They focus on the monetary, fiscal, and general economic policy problems of, first, the Austro-Hungarian Empire and, then, the new postwar Austrian Republic after the dismantling of the Habsburg Monarchy.

For those who may be familiar with Mises's more theoretical works on various themes of monetary theory and policy,¹ comparative economic systems—capitalism, socialism, and interventionism²—the general nature and workings of the market economy, or the methodology and philosophy of the social sciences,³ most of these articles and lectures (like the ones in volume 2 and 3 in this series)⁴ offer a different

1. Ludwig von Mises, *The Theory of Money and Credit* (Indianapolis: Liberty Fund, 3rd rev. ed., [1924; 1953] 1981) and “Monetary Stabilization and Cyclical Policy,” (1928) in *The Causes of the Economic Crisis, and Other Essays Before and After the Great Depression* (Auburn, Ala.: Ludwig von Mises Institute, 2006), pp. 53–153.

2. Ludwig von Mises, *Socialism: An Economic and Sociological Analysis* (Indianapolis: Liberty Fund, [1951] 1981), *Liberalism: The Classical Tradition* (Indianapolis: Liberty Fund, [1927] 2005), *Critique of Interventionism* (Irvington-on-Hudson, N.Y.: Foundation for Economic Education, [1929] 1996), *Interventionism: An Economic Analysis* (Irvington-on-Hudson, N.Y.: Foundation for Economic Education, [1940] 1996), *Bureaucracy* (Indianapolis: Liberty Fund, [1944] 2007), and *Planning for Freedom, and Other Essays* (Indianapolis: Liberty Fund, [1951] 2008).

3. Ludwig von Mises, *Epistemological Problems of Economics* (New York: New York University Press, [1933] 1981), *Human Action: A Treatise on Economics* (Indianapolis: Liberty Fund, [1949; 4th rev. ed. 1966] 2007), *Theory and History: An Interpretation of Social and Economic Evolution* (Indianapolis: Liberty Fund, [1957] 2005), and *The Ultimate Foundation of Economic Science* (Indianapolis: Liberty Fund, [1962] 2006).

4. Richard M. Ebeling, ed., *Selected Writings of Ludwig von Mises*, vol. 2, *Between the Two World Wars: Monetary Disorder, Interventionism, Socialism, and the Great Depression* (Indianapolis: Liberty Fund, 2002); *Selected Writings of Ludwig von Mises*, vol. 3, *The Political Economy of International Reform and Reconstruction* (Indianapolis: Liberty Fund, 2000).

perspective on Mises as an applied economist. Here is not the broad theorist concerned, often, with stepping back from the particular details of specific historical circumstances to investigate and evaluate the essential and universal properties of human action; or the institutional prerequisites for economic calculation and the rational allocation of resources among competing ends; or the relationships between time preference, investment time horizons, monetary expansion, and the sequential stages of the business cycle.⁵

Instead, these essays investigate and analyze the historical and institutional workings of the pre–World War I monetary system of the Austro-Hungarian Empire, and the issues surrounding legal specie redemption for the banknotes of the Austro-Hungarian Bank; the politics behind the establishment of the gold standard in Austria-Hungary; the growing fiscal imbalances developing in the Habsburg Empire due to the patterns of government spending and taxing policies in the first decade of the twentieth century; and the reasons behind the economic crisis that hit Austria-Hungary in the years immediately before the start of the Great War. Here, too, we see Mises analyzing during the war the motives behind German and Austro-Hungarian trade policy, the impact and significance of emigration from Austria, the effects from the monetary inflation used to fund the government’s war expenditures, and the pros and cons of financing those war expenditures through taxation versus borrowing by the issuance of war bonds.

After the war, Mises explains the distorting effects from the new Austrian government’s control and rationing of foreign exchange for imports and exports; the impact on the Austrian foreign exchange rate of monetary expansion to finance the government’s huge deficit spending; a specific policy agenda to bring the country’s financial house back into order, and the need for cooperation from both businesses and labor unions if this was to be achieved without Austria’s currency collapsing into hyperinflation; the claims that holders of banknotes of the old Austro-Hungarian Bank could make on the new Austrian National

5. On Mises’s life and contributions to economics in general and the philosophy of freedom, see Richard M. Ebeling, “A Rational Economist in an Irrational Age: Ludwig von Mises,” in *Austrian Economics and the Political Economy of Freedom* (Northampton, Mass.: Edward Elgar, 2003), pp. 61–100, and *Political Economy, Public Policy, and Monetary Economics: Ludwig von Mises and the Austrian Tradition* (London: Routledge, 2010); also, Murray N. Rothbard, *Ludwig von Mises: Scholar, Creator, Hero* (Auburn, Ala.: Ludwig von Mises Institute, 1988); Israel M. Kirzner, *Ludwig von Mises* (Wilmington, Del.: ISI Books, 2001); and Jörg Guido Hülsmann, *Mises: The Last Knight of Liberalism* (Auburn, Ala.: Ludwig von Mises Institute, 2007).

Bank in the postwar period; Austria's fiscal problems in the period after the end of the inflation; and the lessons for banking reform after the collapse of several banks in 1931.

Ludwig von Mises became immersed in these issues because he had to earn a living outside the Austrian academic arena. University teaching appointments were few and far between in Austria both before and after the First World War, even though Mises was clearly qualified for such a position.⁶ His only formal relationship with the University of Vienna, after graduating in 1906 with a doctoral degree in jurisprudence,⁷ was as a *privatdozent* (an unsalaried lecturer), which permitted him the privilege of offering seminars during the academic year. Mises offered such a seminar almost every term from 1913 to 1934 (except for most of the time during the Great War). He was promoted to professor extraordinary in May 1918, but this was a purely honorific title that was still unsalaried and with a nominal "tenure" as a professor in this status.⁸

However, from 1920 until the spring of 1934, Mises organized and chaired a *privatseminar* (private seminar) of interested scholars in the fields of economics, history, sociology, political science, and philosophy. It met twice a month between October and June on Friday evenings at 7 p.m. at his office at the Vienna Chamber of Commerce. The private seminar came to an end when Mises accepted a full-time teaching position at the Graduate Institute of International Studies in Geneva, Switzerland, as professor of international economic relations beginning in autumn 1934.⁹

6. For Friedrich A. Hayek's explanation for Mises's failure to obtain a formal academic position, see Peter G. Klein, ed., *The Collected Works of F. A. Hayek*, vol. 4, *The Fortunes of Liberalism: Essays on Austrian Economics and the Ideal of Freedom* (Chicago: University of Chicago Press, 1992), pp. 127–28. While anti-Semitism may have played a part in Mises's not being offered a position at the University of Vienna, Hayek believed that it was mostly due to Mises's uncompromising and outspoken criticism of socialism when the intellectual community of Vienna was heavily dominated by the Left.

7. Training as an economist was received through the faculty of law at the University of Vienna.

8. He was also permitted to serve as a chair on dissertation committees and was regularly called upon as a faculty participant at graduate student oral defenses of theses. For example, the book by Fritz Machlup on the gold-exchange standard that Mises discusses in Chapter 22 of this volume was Machlup's dissertation under Mises's supervision at the University of Vienna. He was also on the faculty committee that questioned Alfred Schutz, later internationally known as a sociologist and phenomenological philosopher, when he defended his thesis at the University of Vienna.

9. See Appendix A in this volume for Mises's last paper presented at his private seminar, "Maxims for the Discussion of the Methodological Problems of the Social Sciences," in March 1934.

Because an academic career was closed off to him, from 1909 to 1934 Mises made his living as an economic advisor and policy analyst for the Vienna Chamber of Commerce, Crafts, and Industry. First hired as an assistant for the drafting of documents, in 1910 he was promoted to deputy secretary. When he returned from active duty in the First World War, he was made “first secretary” at the Chamber, responsible for matters relating to a wide variety of areas including monetary and fiscal affairs, trade and financial issues, and administrative and constitutional law.

He developed and refined his skills as an economist having to deal with the everyday practical affairs and policy issues of the Austria of his time. He had to master and maintain a thorough and extremely detailed knowledge of the Austrian economy and the impact of Austrian government policy on the industrial, commercial, and monetary and fiscal affairs of the country.¹⁰ As Mises expressed it years later in his *Memoirs*:

My job with the *Handelskammer* [the Chamber of Commerce] greatly expanded my horizons. That I now have the material for a social and economic history of the downfall of the Austrian civilization readily at hand is to a great degree the result of the studying that was required of me to be able to carry on with my work in the *Handelskammer*. Travels that led me to all parts of old Austria-Hungary from 1912–1914 taught me much in particular. In visiting the centers of industry, my intent was to become acquainted with the industrial situation in view of the renewal of customs and trade relations with Hungary, and the adoption of new, autonomous tariffs and trade treaties.

The main thrust of my job with the *Handelskammer* was not dealing with commercial questions, but those pertaining to finance, currency, credit, and tax policy. In addition, I was given special assignments on

Many of those who participated in the seminar recalled in later years that they considered it to be one of the most rewarding and challenging intellectual experiences of their lives because of the consistent quality of the papers delivered and the discussions that followed. For accounts of the seminar by some of the participants, see Ludwig von Mises, *Memoirs* (Auburn, Ala.: Ludwig von Mises Institute, [1940] 2009), pp. 81–83, and the recollections of other members of the seminar in the appendix to Margit von Mises, *My Years with Ludwig von Mises*, 2nd ed. (Cedar Falls, Iowa: Center for Futures Education, 1984), pp. 201–10.

10. For a detailed discussion of Mises’s policy writings and work at the Vienna Chamber of Commerce in the interwar period, see Richard M. Ebeling, “The Economist as the Historian of Decline: Ludwig von Mises and Austria Between the Two World Wars,” in *Political Economy, Public Policy, and Monetary Economics*, pp. 88–140. For many of Mises’s articles and Chamber of Commerce policy pieces during the 1920s and 1930s, see Richard M. Ebeling, ed., *Selected Writings of Ludwig von Mises*, vol. 2, *Between the Two World Wars: Monetary Disorder, Interventionism, Socialism, and the Great Depression*.

an ongoing basis. From the time of the armistice until the signing of the Peace Agreement of Saint Germain [in September 1919] I was the consultant on financial questions to the Foreign Office. Later, when the terms of the peace treaty were put into effect, I was in charge of the office concerned with the prewar debt. In this capacity I had numerous dealings with the representatives of our former enemies. I was the Austrian delegate to the international *Handelskammer* [the International Chamber of Commerce] and a member of many international commissions and committees, whose insoluble task it was to facilitate the peaceful exchange of goods and services in a world pervaded by national hatred and the precursors of genocide.¹¹

At a relatively early age Mises seems to have formulated in his mind a rather comprehensive classical liberal worldview of the social order. His experience in the role of applied economist clearly left its mark and influenced his understanding of the effects that government intervention could have on the effective functioning of a modern market economy. To appreciate this, and the writings included in his volume, it is necessary to take a glance at the political and economic environment of the old Austro-Hungarian Empire and the Austrian monetary system as it developed in the nineteenth century.

*The Habsburg Monarchy and the Austro-Hungarian Empire*¹²

The House of Habsburg, which came to rule a vast empire for nearly eight hundred years, had its origin in the thirteenth century. Through

11. Ludwig von Mises, *Memoirs*, pp. 63–64; also see, on Mises's work at the Chamber, Alexander Hörtlehner, "Ludwig von Mises und die österreichische Handelskammerorganisation" ["Ludwig von Mises and the Chamber of Commerce"], *Wirtschaftspolitische Blätter*, no. 28 (1981), pp. 140–50.

12. The following summary of the history of the Habsburg Empire is drawn from Henry Wickham Steed, *The Hapsburg Monarchy* (New York: Howard Fertig, [1914] 1969); Oscar Jaszi, *The Dissolution of the Habsburg Monarchy* (Chicago: University of Chicago Press, 1929); A. J. P. Taylor, *The Habsburg Monarchy, 1809–1918: A History of the Austrian Empire and Austria-Hungary* (Chicago: University of Chicago Press, [1948] 1976); Arthur J. May, *The Hapsburg Monarchy, 1867–1918* (Cambridge: Harvard University Press, 1951); Arthur J. May, *The Passing of the Hapsburg Monarchy, 1914–1918* (Philadelphia: University of Pennsylvania Press, 1966); Robert A. Kann, *The Multinational Empire: Nationalism and National Reform in the Habsburg Monarchy, 1848–1918*, 2 vols. (New York: Columbia University Press, 1950); Robert A. Kann, *A History of the Habsburg Empire, 1526–1918* (Berkeley: University of California Press, 1974); Hans Kohn, *The Habsburg Empire, 1804–1918* (New York: D. Van Nostrand, 1961); Edward Crankshaw, *The Fall of the House of Habsburg* (New York: The Viking Press, 1963); C. A. Macartney, *The Habsburg Empire, 1790–1918* (New York: Macmillan, 1969); Gordon Brook-Shepherd, *The Austrians: A Thousand-Year Odyssey* (New York: Carroll & Graf, 1996); and Robin Okey, *The Habsburg Monarchy: From Enlightenment to Eclipse* (New York: St. Martin's Press, 2001).

a series of royal marriages, treaties, and some conquests, the Habsburg Monarchy gained control over a large territory in Central and Eastern Europe, and for a period of time large areas in Western Europe as well, including Spain, parts of modern-day France, Italy, Germany, and Switzerland, and what later became Holland, Belgium, and Luxembourg. From the thirteenth century to the middle of the nineteenth century, the Habsburgs also nominally headed the Holy Roman Empire, or its later, loose German Confederation.

It was during this time, when the Habsburgs were beginning to dominate so much of Europe, that Emperor Frederick III (1415–93) had inscribed on official buildings the five vowels, A E I O U, which he interpreted as “Alles Erdreich Ist Österreich Untertan” (“All the earth is subject to Austria”), or in Latin, “Austriae Est Imperare Orbi Universo” (“Austria must rule the universe”).¹³

The Habsburgs ruled as absolute monarchs. But under the influence of the Age of Enlightenment and the early phase of the French Revolution, Empress Maria Theresa (1717–70) and then her sons, Joseph II (1740–90) and Leopold II (1747–92), attempted to introduce various forward-looking reforms while retaining the principle of absolutism. The dark turn taken in the French Revolution and the rise of Napoleon to power shifted the monarchy back in a far more conservative direction under Francis II (1768–1835). With Napoleon’s victories over the German states, the Holy Roman Empire was dissolved and Francis II declared himself emperor of Austria in 1804.

As one of the final victors over the French after Napoleon’s defeat in Russia in 1812, the Habsburg Empire in Central and Eastern Europe was consolidated following the Congress of Vienna in 1815 as one contiguous territory that by the 1880s incorporated what are today Austria, Hungary, the Czech Republic, Slovakia, Slovenia, Croatia, Bosnia, and large parts of Italy, Poland, Ukraine, and Romania.

In the years just preceding the First World War, the Austro-Hungarian Empire covered a territory of about 415,000 square miles and included within its borders a dozen or so national and linguistic groups, including Germans, Hungarians, Czechs, Slovaks, Croats, Romanians, Italians, Poles, Bulgarians, Serbians, Slovenians, and Ruthenians. Out of a population of 50 million the Germans and Hungar-

13. See Hans Kohn, “The Problem of Central Europe: The Legacy of the Habsburgs,” in *Not by Arms Alone: Essays on Our Time* (Cambridge: Harvard University Press, 1940), pp. 43–64.

ians each numbered about 10 million, with the remaining 30 million made up of these other groups.

Europe of the nineteenth century experienced a relentless battle between four powerful ideas: monarchical absolutism, political and economic liberalism, integral nationalism, and revolutionary socialism. Absolutism insisted upon the divine rights of kings to rule without restraint; liberalism demanded the recognition of individual liberty, representative and limited constitutional government, and freedom of private enterprise from state control; integral nationalism (by the middle decades of the nineteenth century) increasingly insisted upon the unification and political independence of peoples sharing a common language, culture, and history, and finally a common ethnicity or race;¹⁴ and socialism called for the overthrow of private property, nationalization of the means of production, and greater economic and social equality by either violent or democratic methods. All four of these ideological forces were at work in the Habsburg Monarchy until the end of the Austro-Hungarian Empire in the ruins of the First World War.

The French Revolution of February 1848 reverberated across much of Europe, including in the Austrian Empire. Within days and weeks of the uprising in Paris, students on the streets of Vienna demanded constitutional change, and the Italians and Hungarians were in open revolt against their Habsburg rulers. By the end of 1849, however, the Italians and Hungarians had been crushed (the latter through the intervention of the Russian Imperial Army), and Habsburg rule was once more imposed with especial ruthlessness against the Hungarians.

At first reforms were promised to the Austrian liberals, with a constitution promised in July 1848. And when eighteen-year-old Francis Joseph (1830–1916) assumed the throne upon the abdication of his uncle, Ferdinand I (1793–1875), in December 1848, the new emperor gave his support to the constitutional changes.¹⁵ Almost immediately, however,

14. On the development and evolution of the nationalist idea in the nineteenth century, see G. P. Gooch, *Nationalism* (New York: Harcourt Brace & Howe, 1920); Carlton J. H. Hayes, *The Historical Evolution of Modern Nationalism* (New York: Richard R. Smith, 1931); Walter Sulzbach, *National Consciousness* (Washington, D.C.: American Council on Public Affairs, 1934); Frederick Hertz, *Nationality in History and Politics* (New York: Oxford University Press, 1944); Hans Kohn, *Nationalism: Its Meaning and History* (Princeton, N.J.: D. Van Nostrand, 1955) and *Nationalism and Realism: 1852–1879* (Princeton, N.J.: D. Van Nostrand, 1968).

15. On the life and reign of Francis Joseph, who ruled over the empire for sixty-eight years, see Joseph Redlich, *Emperor Francis Joseph of Austria* (New York: Macmillan, 1929); and Alan