

Ludwig von Mises — The theorist of the next century

This special issue of the Austrian theory of "Administrative Studies" is dedicated to professor Ludwig von Mises, 'the fountainhead of modern microeconomics', as Eamonn Butler has called him. Professor Mises is one of the leading scholars in the second wave of the Austrian school, comparable to Carl Menger, Friedrich von Wieser and Eugen von Böhm-Bawerk, who represented its first wave. According to Friedrich Hayek, it is legitimate to speak of the "Mises School". For instance Max Weber, other great thinker, called Mises's book "Theorie des Geldes und der Umlaufmittel", published in 1912, as the most acceptable work on the marginal utility theory of money.

This special issue has two goals. For the first, it naturally wants to show respect for Mises's monumental achievements in developing economic theory and methodology and in increasing the understanding of functions and operations of the actual economic systems. The value of the scientific contribution of Mises is further increased, when it is remembered that throughout his long career he studied subjects which were very unpopular. Llewellyn H. Rockwell, the president of the Ludwig von Mises Institute, has written: "He was right at the wrong time. He told truth, without fear or compromise, when it wasn't fashionable to do so." The second goal of this issue is to awake genuine interest towards both Ludwig von Mises and the Austrian theory, the outstanding representative of which he is.

Why is it so that Ludwig von Mises is so popular right now? One of the reasons is surely the universal collapse of socialism as an intellectual and political movement, a collapse that Mises predicted already in 1922 in his monumental work "Socialism: An Economic and Sociological Analysis". This work is even today one of the most exhaustive and indisputable critical evaluations of socialism. In his article "Socialism — Guilty of Everything It Is Accused of", published in Finnish in Kanava, no. 5/1991, David Horowitz writes: "In the whole massive empire of societies, where ideas of socialism have been tested in practice, the names of Mises, Hayek and other prophets of the capitalist economy are respected, while the names of Marx, Lenin and Trotsky are despised." Horowitz's article was originally published in 1990 in "Commentary". Robert Heilbroner, a well known economist and long time critic of Ludwig von Mises, acknowledged in his article in 1990 in "New Yorker" that Mises was really right in his critical evaluation of socialism.

The second reason for the actuality of Mises is a corollary of the first one. Thanks to Mises, people can understand clearer than ever before, what kind of means they have at their disposal in order to attain their different goals, create wealth and promote social harmony and peace. These means are the principle of the division of labour, private ownership of the means of production, free price system and free and unhampered market. Mises has shown the inevitable consequences which will follow if these principles are given up. One of the greatest scientific contributions of Mises is that capitalism can be defended intellectually. Mises has drawn an alternative to the neoclassical tradition which deals with the statistical aggregates and supposes a state of continuous equilibrium.

Mises is important for the future. He is a substantial source of inspiration for scholars and decisionmakers who are eager to search for new and ingenious ideas in order to solve their acute problems when most of the dominant paradigms have lost their validity. In the West the collapse of socialism has

convinced many that their type of government has won the war. Parties and politicians in liberal Western states behave as if the collapse of socialism would not touch them at all. Public institutions are infiltrated by political parties, unions and special interests that are used to analyze economic, moral and social problems within the public framework. The public sector, which has grown massive during the decades of purposeful construction, is unable to evaluate its activities critically and to give up its judicial privileges. Under the illusive pretext that the state is a beneficiary instead of being an apparatus of compulsion and coercion, public monopolies rob citizens of their benefits that the free and unhampered competition would guarantee them. Public officials blame continuously markets for their problems which they try to solve by increasing public prerogatives, regulation and finance.

According to Mises, solutions to the problems of statism should be searched in an ideal of limited government, deregulation and increased competition through privatisation. Mises has crushed the legitimacy of the conviction that only government can solve problems of the market with its own means. Mises asks us persuasively to turn the problem upside down. For him problems of the free market are nearly always inevitable consequences of public interventions. Thanks to Mises, it is safe and legitimate now to search solutions to economic and social problems in the inherent logic of the market like, including the strengthening of the property rights, the increase of competition, the freeing of the price system of its delicate barriers, the respect of the choices of citizens etc., but not in the traditional governmental instruments. It is exactly here where one of the most important intellectual transformations of our time lies, reflecting itself far into the future.

Thanks to Mises, individual liberty and its social meaning can again be defended by rational arguments. Mises did not analyse processes restricting the liberty of individuals only, but also showed how liberty can be brought back to them. In the practical decisionmaking Mises has consistently opposed policies which treat individuals as mere numbers, as variables to be manipulated. Mises has shown how the individuals and the society of free people can be studied without violating the dignity and integrity of individuals. Although the idea of Mises, concerning the sound economic research, is in a sharp conflict with the dominant paradigm, it is safe to anticipate that a growing number of scholars will adopt his methodology and recommendations to carry out good research.

Although Karl Marx is so far held as a genuine friend of the poor and miserable, it is possible that Ludwig von Mises will take his place. In spite of the claims that socialism and statism have a more virtuous morality than the free market economy, they have been unable to solve the problem of world poverty and deprivation. On the contrary, as Mises has shown, they have exacerbated these problems. It is not difficult to find evidence for it. In industrialized states, the interventions recommended by the trade unions, political parties and public authorities have decreased work possibilities especially in the group of the disadvantaged and unskilled. The ultimate interest of these people, as Mises has emphasized, will demand the abolition of all artificial barriers preventing them from getting work and the possibility to have unrestricted competition. It is wrong to think that the only way to help these individuals is to demand the government to give them public benefits. Mises has shown that this policy will open the road to a catching of very powerful interests. In this process the poor will surely lose. On the long run, even the poorest and most deprived will realise that this policy will hurt everyone instead of helping them.

For millions of really poor and uneducated people in the Third World, Ludwig von Mises is an ally, who has demanded abolition of privileges which secure the positions of the affluent and rich minority and protect them from un-

conditional competition. In his book "The Other Path", Hernando de Soto shows convincingly, how insufficient property rights, barriers for competition, limited economic liberty and laws promoting only economic interests of dominant classes contain the economic progress all over the Third World. Contrary to the common conception, the reason why the countries of the Third World are poor is not capitalism, but rather its absence. Mises reminds the governments of the developed countries of the multidimensional negative consequences of their protectionist economic policies. It would be a real achievement of the development policy, if the developed countries would open their markets unconditionally to the Third World countries. Mises would be especially valuable reading for the policy makers in the European Community, because it seems as if the EC is rapidly becoming a large protectionist community with the powers unparalleled to the governments of individual states.

The writers of this special issue hope that the goals of "Administrative Studies" will be realised and that the readers will find enjoyment and inspiration in these articles.

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