

THE PLACE OF ECONOMICS IN SOCIETY

LUDWIG VON MISES

I ECONOMICS

In the course of social events there prevails a regularity of phenomena to which man must adjust his actions if he wishes to succeed. [2 = (Human Action. The Scholar's Edition, p. 2)]

[200 year ago] all were fully convinced that there was in the course of social events no such regularity and invariance of phenomena as had already been found in the operation of human reasoning and in the sequence of natural phenomena. They did not search for the laws of social cooperation because they thought that man could organize society as he pleased. [2]

When men realized that the phenomena of the market conform to laws, they began to develop catallactics and the theory of exchange, which constitutes the heart of economics.

The development of economics and rationalistic sociology from Cantillon and Hume to Bentham and Ricardo did more to transform human thinking than any other scientific theory before or since. Up to that time it had been believed that no bounds other than those drawn by the laws of nature circumscribed the path of acting man. It was not known that there is still something more that sets a limit to political power beyond which it cannot go. Now it was learned that in the social realm too there is something operative which power and force are unable to alter and to which they must adjust themselves if they hope to achieve success, in precisely the same way as they must take into account the laws of nature. [epofec 1.1.2.]

Man's freedom to choose and to act is restricted in a threefold way. There are first the physical laws to whose unfeeling absoluteness man must adjust his conduct if he wants to live. There are second the individual's innate constitutional characteristics and dispositions and the operation of environmental factors; we know that they influence both the choice of the ends and that of the means, although our cognizance of the mode of their operation is rather vague. There is finally the

regularity of phenomena with regard to the interconnectedness of means and ends, viz., the praxeological law as distinct from the physical and from the physiological law. [881]

II LIBERALISM

What is wrong with our age is precisely the widespread ignorance of the role which these policies of economic freedom played in the technological evolution of the last two hundred years. People fell prey to the fallacy that the improvement of the methods of production was contemporaneous with the policy of laissez faire only by accident. [9]

The tremendous progress of technological methods of production and the resulting increase in wealth and welfare were feasible only through the pursuit of those liberal policies which were the practical application of the teachings of economics. It was the ideas of the classical economists that removed the checks imposed by age-old laws, customs, and prejudices upon technological improvement and freed the genius of reformers and innovators from the straitjackets of the guilds, government tutelage, and social pressure of various kinds. It was they that reduced the prestige of conquerors and expropriators and demonstrated the social benefits derived from business activity. None of the great modern inventions would have been put to use if the mentality of the precapitalistic era had not been thoroughly demolished by the economists. What is commonly called the «industrial revolution» was an offspring of the ideological revolution brought about by the doctrines of the economists. [8]

III CITIZEN

Economics is the philosophy of human life and action and concerns everybody and everything. It is the pith of civilization and of man's human existence.

To mention this fact is not to indulge in the often derided weakness of specialists who overrate the importance of their own branch of knowledge. Not the economists, but all the people today assign this eminent place to economics.

All present-day political issues concern problems commonly called economic. Everybody thinks of economics whether he is aware of it or not. In joining a political party and in casting his ballot, the citizen implicitly takes a stand upon essential economic theories.

There is no means by which anyone can evade his personal responsibility. Whoever neglects to examine to the best of his abilities all the problems involved voluntarily surrenders his birthright to a self-appointed elite of supermen. In such vital matters blind reliance upon «experts» and uncritical acceptance of popular catchwords and prejudices is tantamount to the abandonment of self-determination and to yielding to other people's domination. As conditions are today, nothing can be more important to every intelligent man than economics. His own fate and that of his progeny is at stake.

Very few are capable of contributing any consequential idea to the body of economic thought. But all reasonable men are called upon to familiarize themselves with the teachings of economics. This is, in our age, the primary civic duty. [874-875]

IV FREEDOM

The paramount role that economic ideas play in the determination of civic affairs explains why governments, political parties, and pressure groups are intent upon restricting the freedom of economic thought. They are anxious to propagandize the «good» doctrine and to silence the voice of the «bad» doctrines. As they see it, truth has no inherent power which could make it ultimately prevail solely by virtue of its being true. In order to carry on, truth needs to be backed by violent action on the part of the police or other armed troops.

Not only in the countries ruled by barbarian and neobarbarian despots, but no less in the so-called Western democracies, the study of economics is practically outlawed today. The public discussion of economic problems ignores almost entirely all that has been said by economists in the last two hundred years. Prices, wage rates, interest rates, and profits are dealt with as if their determination were not subject to any law. Governments try to decree and to enforce maximum commodity prices and minimum wage rates. Statesmen exhort businessmen to cut down profits, to lower prices, and to raise wage rates as if these matters were dependent on the laudable intentions of individuals. In the treatment of international economic relations people blithely resort to the most naive fallacies of Mercantilism. Few are aware of the shortcomings of all these popular doctrines, or realize why the policies based upon them invariably spread disaster. [875-876]

V PUBLIC OPINION

Practical utilization of the teachings of economics presupposes their endorsement by public opinion. In the field of social organization and economic policies, the best theories are useless if not supported by public opinion. They cannot work if not accepted by a majority of the people. Whatever the system of government may be, there cannot be any question of ruling a nation lastingly on the ground of doctrines at variance with public opinion. In the end the philosophy of the majority prevails. In the long run there cannot be any such thing as an unpopular system of government. The difference between democracy and despotism does not affect the final outcome. It refers only to the method by which the adjustment of the system of government to the ideology held by public opinion is brought about. Unpopular autocrats can only be dethroned by revolutionary upheavals, while unpopular democratic rulers are peacefully ousted in the next election.

The supremacy of public opinion determines not only the singular role that economics occupies in the complex of thought and knowledge. It determines the whole process of human history.

The customary discussions concerning the role the individual plays in history miss the point. Everything that is thought, done and accomplished is a performance of individuals. New ideas and innovations are always an achievement of uncommon men. But these great men cannot succeed in adjusting social conditions to their plans if they do not convince public opinion.

The flowering of human society depends on two factors: the intellectual power of outstanding men to conceive sound social and economic theories, and the ability of these or other men to make these ideologies palatable to the majority. [859-860]

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. [150]

Liberalism is rationalistic. It maintains that it is possible to convince the immense majority that peaceful cooperation within the framework of society better serves their rightly understood interests than mutual battling and social disintegration. It has full confidence in man's reason. It may be that this optimism is unfounded and that the liberals have erred. But then there is no hope left for mankind's future. [157]

The body of economic knowledge is an essential element in the structure of human civilization; it is the foundation upon which modern

industrialism and all the moral, intellectual, technological, and therapeutical achievements of the last centuries have been built. It rests with men whether they will make the proper use of the rich treasure with which this knowledge provides them or whether they will leave it unused. But if they fail to take the best advantage of it and disregard its teachings and warnings, they will not annul economics; they will stamp out society and the human race. [881]