

# The Executive's Bookshelf

F. M. J. file

## A Tract for Our Time

A popular American radio commentator once observed that one could no more be a little bit socialist than one could be a little bit pregnant. Professor Ludwig von Mises, a distinguished Austrian economist who is now in this country, has long been backing up the same idea with a far greater store of political, historical and economic erudition than the radio commentator could claim. He has now summed up the case for the free and against the planned economy in a hard-hitting pamphlet, written in simple, non-technical language and containing the gist of theories which he has outlined in more learned and elaborate books.

Economic truths are no less true because they become obscured, even in the minds of economists, from long neglect. Von Mises has composed a tract that should be all the more useful because he exposes so vigorously and uncompromisingly some of the most conspicuous errors of our time. One of his principal targets is what he calls interventionism, government attempts to interfere with the working of a free market by police efforts to raise prices at some times, to lower them at others and to promote employment by tinkering with currencies, spending recklessly on boondoggling projects and trying to control some aspects of production and foreign trade, while leaving others free.

The author sees the fundamental economic and social issues of our time in very black-and-white terms. "The issue is always the same," he writes. "The government or the market. There is no third solution." And he maintains that there is no such thing as an "excessive" advocacy of economic freedom.

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Certainly in this age, when the case for intervention and controls is stated so frequently, it is refreshing and beneficial to hear from a man who believes passionately in classical liberal capitalism and who refuses to trim his sails to prevailing winds of opinion in the slightest degree. He makes the flat statement that democracy cannot exist where there is planning.

He also points to the futility or positive harmfulness of popular "interventionist" measures. When wage rates are forced above a normal economic level some workers, entrenched in strong unions, may temporarily benefit. But this is at the price of unemployment for others. Labor can price itself out of jobs by excessive money wage demands just as merchants and manufacturers can price themselves out of customers by profiteering and restrictionist practices.

Von Mises argues that government

spending cannot create additional jobs. For if the government raises funds for this purpose by taxation or by borrowing from its citizens it abolishes as many jobs with one hand as it creates with the other. If it finances its spending by borrowing from commercial banks the result is credit expansion and inflation. This may lead to temporary full employment, but at the price of inflation, depreciation of the currency and falling real wage rates.

The author believes that what we are living through is a crisis not of capitalism, but of interventionism. He can see a purpose, although an undesirable one, in the attitude of those advocates of government interference and controls whose final objective is socialism. But he pours the full vials of his scorn on those interventionists who honestly believe that their methods will strengthen capitalism. He thinks the capitalist system can get along best without such "friends."

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There are many varied and stimulating ideas in this short pamphlet. The author emphasizes very justly the advantages which the free market system gives the consumer. He makes out a strong case for the impossibility of rational pricing under a regimented economy, where there is no free play of the law of supply and demand. He brings home the many basic similarities between nazism, fascism and communism and correctly classifies all these movements as revolts against western civilization, with its rule of law and limited powers of government. In a striking phrase he calls this revolt "the liberation of the demons."

Von Mises in this pamphlet shows himself anything but the dry-as-dust professor. His language is clear and incisive and he is capable of dry humor, as when he offers the following comment on the Stalin-Trotsky controversy:

"In their feud both were right. Stalin was right in maintaining that his regime was the embodiment of communist principles. Trotsky was right in asserting that Stalin's regime had made Russia a hell."

Von Mises takes the intellectuals to task for their contribution to the false ideas which have contributed so much to the misery of our age and ends on a manly and sensible note: "Not mythical 'material productive forces,' but reason and ideas determine the course of human affairs. What is needed to stop the trend toward socialism and despotism is common sense and moral courage."

*Planned Chaos.* By Ludwig von Mises. Irvington on Hudson: Foundation for Economic Education. 65 cents.

—William Henry Chamberlin.

The Wall Street Journal  
September 24, 1947

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