

IN MEMORIAM: LUDWIG VON MISES

by Walter E. Grinder

Ludwig von Mises.....1881 - 1973



Ludwig von Mises Sept. 29, 1881-Oct. 10, 1973

On October 10, 1973, one of the most truly amazing and productive lives ever lived came to an end. When Professor Ludwig von Mises died at the age of 92, the world lost an intellectual giant who was perhaps the most articulate, consistent and courageous defender of liberty and the free market that modern times have known. However, like all the truly great scholars, Mises has left the world an amazing abundance of knowledge in his many works; works that generations yet to come will continue to benefit from, and from which those generations can trace the evolution of his lifetime of scholarship.

In fact, signs around us make it seem likely that Mises' influence will be stronger in years to come than it ever was during his lifetime. Both the present frightening objective conditions and the current subjective malaise make it clear that Ludwig von Mises' ideas are more desperately needed now than at any time since the Great Depression of the 1930's. One thing is certain, if the international market system as it has developed over the past 200 years is to survive, then the ideas of Mises *must* be understood and implemented. The alternative is far too horribly regressive to contemplate.

In 1906, the young Mises wrote a doctoral dissertation that finally completed the "subjective revolution" which had begun in the 1870's. He applied the subjective and marginal utility theory of value to the all-important area of money and banking, thereby

uniting Micro-economic and Macro-economic theory into one *general* and comprehensive whole. The dissertation was published in 1912 and finally translated and published in English in 1934 as *THE THEORY OF MONEY AND CREDIT*. It still remains as the best and most sophisticated presentation of the Quantity Theory of Money. The full implications of this great work were still unrealized even by Mises himself at the time. For therein were contained the keys to the understanding of all the major Macro socio-economic dislocations: inflation, shifting interest rates, recession, unemployment, depression, the very trade cycle itself. But the implications had yet to be spelled out. So during the 'teens and the 1920's, he did just that—he developed a most sophisticated and, in fact, the only really meaningful business cycle theory ever conceived. While it is true that his work in this area was then continued quite competently by his most famous student, F. A. Hayek, the essential groundwork was laid by Mises.

Perhaps one reason why Mises didn't do more work in the business cycle area *per se* was because of the onslaught that was being waged against the market system by both the socialists and by the incipient "corporate liberal" interventionists. It was, after all, Mises' conviction, as an economist, as a classical liberal, and as a humanist social philosopher, that the fruits of Western Civilization were due in no slight measure to the post-Mercantile decentralization of power and the widening of private property distribution, and ultimately to the division of labor and the market exchange system of coordination which grew out of this distributory property system. Any attack on the market system was therefore an attack on the only mechanism which could aid man in pulling himself out of his natural condition—a condition of wretched poverty. Is it any wonder then that Mises spent so much time on refuting the socio-economic philosophies of Socialism and Interventionism?

Three great works came out of his investigations into these areas during the 1920's: *SOCIALISM, LIBERALISM* and a great essay *INTERVENTIONISM*, which is reprinted in *A CRITIQUE OF INTERVEN-*

TIONISM. These three works showed conclusively that (1) total socialism, lacking any means of rational economic calculation, i.e., prices, can function only at the very lowest level of economic efficiency, (2) only a market system, or an exchange system based on private ownership of the means of production, can provide the means of achieving rational allocation of capital goods to their most productive uses and thereby to a high measure of economic welfare, and finally, (3) any intervention into the market exchange process will lead to a cumulative deterioration of economic welfare and ultimately to increasing centralization and collectivization of the economic system. The latter is, of course, Mises' penetrating theory of Interventionism and can be read in more detail in his brilliant essay "The Middle-of-the-Road Leads to Socialism" in *PLANNING FOR FREEDOM*. In any case, it seems highly unlikely that there was ever a person who better understood or appreciated the market process as it actually functions and as it could if it were simply left alone, nor could we find anyone who better understood the disastrous effects of tampering with the market process than did Ludwig von Mises.

Mises' crowning glory is, of course, the magnificent *HUMAN ACTION*. In *HUMAN ACTION* Mises allows nothing to escape his attention. It is here that he spins out his many insights in full detail. *HUMAN ACTION* is as much a treatise on social philosophy and the methodology of the social sciences as it is on the generally more narrowly defined discipline of economics, but then, perhaps that is the way economics treatises should be written. Here in one book is the sum total of Mises' life. Here is Mises' science of praxeology (the economics discipline broadly defined) or the study of human action laid out for all to see and to appreciate. There is more for economic libertarians to study and to digest in *HUMAN ACTION* than in perhaps any other economics treatise ever written.

But having said the above and having paid homage to his *magnum opus*, this writer has saved mention of his favorite Mises book for the last, and it was one of the best he wrote. *THEORY AND HISTORY* is a methodological gem simply jammed full of dozens of brilliant insights into the differences between the methods of economic theory (praxeology)

on the one hand, and those of history (including economic history) on the other. The differences are indeed profound, and they are differences which the vast majority of the economics profession would do well to learn and learn soon—in many cases, so that they might understand what it is that they are doing.

Ludwig von Mises always took the real world implications of his scholarship very seriously, and he never wavered from those implications. Perhaps that is why the world treated him so horribly. We can well understand why the socialists and the various interventionists hated him; he showed that the practical application of their ideological principles were disastrous, and like children, his antagonists valued the emotional appeal of their false principles more than the hard reality of reasoned refutation. But what of the world of academia? Why was Mises treated so unbelievably shoddily by the universities, especially the American universities after WWII when almost all European refugee scholars were almost automatically given high academic posts? The point is that he did take his ideas seriously and he would not back down when he knew he was right. But who ever heard of anyone taking ideas *that* seriously! Mises was hounded for his moral goodness and unrelenting anti-Statism. If ever intellectual integrity has existed in its pure form, it surely was to be found in the kindly heart of this intellectual giant, in the mighty soul of this brave but gentle man.

Yes, we all miss "The Professor," but he lived a fuller and more productive life than most of us can ever hope to attain. But as long as such works of genius like the *THEORY OF MONEY AND CREDIT, SOCIALISM, THEORY AND HISTORY, and HUMAN ACTION* are in circulation, Ludwig von Mises will continue to live and teach the hungry minds of the dedicated young. And perhaps he will even then be able to help save humanity from some of our all too many follies and foibles—the belief that the State can improve the economic lot of mankind being foremost among our misapprehensions.

Walter E. Grinder is an instructor in economics for the Institute for Humane Studies. This essay is reprinted from the Sept-
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