

FREEMarket

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CIVILIZATION IS NOT DOOMED

Ludwig von Mises

Ludwig von Mises (1881–1973) was dean of the Austrian School of economics.

The constitutional system that began at the end of the eighteenth and the beginning of the nineteenth century has disappointed mankind. Most people—also most authors—who have dealt with this problem seem to think there has been no connection between the economic and the political side of the problem. Thus, they tend to deal at great length with the decay of parliamentarism—government by the representatives of the people—as if this phenomenon were completely independent of the economic situation and of the economic ideas that determine the activities of people.

But such an independence does not exist. Man is not a being that, on the one hand, has an economic side and, on the other hand, a political side, with no connection between the two. In fact, what is called the decay of freedom, of constitutional government and representative institutions, is the consequence of the radical change in economic and political ideas. The political events are the inevitable consequence of the change in economic policies.

The ideas that guided the statesmen, philosophers, and lawyers who, in the eighteenth century and in the early nineteenth century developed the fundamentals of the new political system, started from the assumption that, within a nation, all honest citizens have the same ultimate goal. This ultimate goal, to which all decent men should be dedicated, is the welfare of the whole nation, and also the welfare of other nations—these moral and political leaders being fully convinced that a free nation is not interested in conquest. They conceived of party strife as only natural, that it was perfectly normal for there to be differences of opinion concerning the best way to conduct the affairs of state.

Those people who held similar ideas about a problem cooperated, and this cooperation was called a party. But a party structure was not permanent. It did not depend on the position of the individuals within the whole social structure. It could change if people learned that their original position was based on erroneous assumptions, on erroneous ideas. From this point of view, many regarded the discussions in the election campaigns and later in the legislative assemblies as an important political factor. The speeches of members of a legislature were not considered to be merely pronouncements telling the world what a political party wanted. They were regarded as attempts to convince opposing groups that the speaker's own ideas were more correct, more beneficial to the common weal, than those which they had heard before.



Political speeches, editorials in newspapers, pamphlets, and books were written in order to persuade. There was little reason to believe that one could not convince the majority that one's own position was absolutely correct if one's ideas were sound. It was from this point of view that the constitutional rules were written in the legislative bodies of the early nineteenth century.

But this implied that the government would not interfere with the economic conditions of the market. It implied that all citizens had only one political aim: the welfare of the whole country and of the whole nation. And it is precisely this social and economic philosophy that interventionism has replaced. Interventionism has spawned a very different philosophy.

Under interventionist ideas, it is the duty of the government to support, to subsidize, to give privileges to special groups. The idea of the eighteenth-century statesmen was that the legislators had special ideas about the common good. But what we have today, what we see today in the reality of political life, practically without any exceptions, in all the countries of the world where there is not simply communist dictatorship, is a situation where there are no longer real political parties in the old classical sense, but merely *pressure groups*.

A pressure group is a group of people who want to attain for themselves a special privilege at the expense of the rest of the nation. This privilege may consist in a tariff on competing imports, it may consist in a subsidy, it may consist in laws that prevent other people from competing with the members of the pressure group. At any rate, it gives to

the members of the pressure group a special position. It gives them something which is denied or ought to be denied—according to the ideas of the pressure group—to other groups.

In the United States, the two-party system of the old days is seemingly still preserved. But this is only a camouflage of the real situation. In fact, the political life of the United States—as well as the political life of all other countries—is determined by the struggle and aspirations of pressure groups. In the United States there is still a Republican party and a Democratic party, but in each of these parties there are pressure group representatives.

These pressure group representatives are more interested in cooperation with representatives of the same pressure group in the opposing party than with the efforts of fellow members in their own party. . . .

Of course each of these pressure groups is necessarily a minority. In a system based on the division of labor, every special group that aims at privileges has to be a minority. And minorities never have the chance to attain success if they do not cooperate with other similar minorities, similar pressure groups. In the legislative assemblies, they try to bring about a coalition between various pressure groups, so that they might become the majority. But, after a time, this coalition may disintegrate, because there are problems on which it is impossible to reach agreement with other pressure groups, and new pressure group coalitions are formed.

That is what happened in France in 1871, a situation which historians deemed “the decay of the Third Republic.” It was

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not a decay of the Third Republic; it was simply an exemplification of the fact that the pressure group system is not a system that can be successfully applied to the government of a big nation.

You have, in the legislatures, representatives of wheat, of meat, of silver, and of oil, but first of all, of the various unions. Only one thing is *not* represented in the legislature: the nation as a whole. There are only a few who take the side of the nation as a whole. And all problems, even those of foreign policy, are seen from the point of view of the special pressure group interests.

For years, people throughout the world have been writing about democracy—about popular, representative government. They have been complaining about its inadequacies, but the democracy they criticize is only that democracy under which *interventionism* is the governing policy of the country.

Today one might hear people say: “In the early nineteenth century, in the legislatures of France, England, the United States, and other nations, there were speeches about the great problems of mankind. They fought against tyranny, for freedom, for cooperation with all other free nations. But now we are more practical in the legislature!”

Of course we are more practical; people today do not talk about freedom: they talk about a *higher price for peanuts*. If this is practical, then of course the legislatures have changed considerably, but not improved.

These political changes, brought about by interventionism, have considerably weakened the power of nations and of representatives to resist the aspirations of dictators and the operations of tyrants. The legislative representatives whose only concern is to satisfy the voters who want, for instance, a high price for sugar, milk, and butter, and a low price for wheat (subsidized by the government) can represent the people only in a very weak way; they can never represent *all* their constituents.

The voters who are in favor of such privileges do not realize that there are also opponents who want the opposite thing and who prevent *their* representatives from achieving full success.

This system leads also to a constant increase of public expenditures, on the one hand, and makes it more difficult, on the other, to levy taxes. These pressure group representatives want many special privileges for their pressure groups, but they do not want to burden their supporters with a too-heavy tax load.

It was not the idea of the eighteenth-century founders of modern constitutional government that a legislator should represent, *not* the whole nation, but only the special interests of the district in which he was elected; that was one of the consequences of interventionism. The original idea was that every member of the legislature *should* represent the whole nation. He was elected in a special district only because there he was known and elected by people who had confidence in him.

But it was not intended that he go into government in order to procure something special for his constituency, that he ask for a new school or a new hospital or a new lunatic asylum—thereby causing a considerable rise in government expenditures within his district. Pressure group politics explains why it is almost impossible for all governments to stop inflation. As soon as the elected officials try to restrict expenditures, to limit spending, those who support special interests, who derive advantages from special items in the budget, come and declare that *this* particular project cannot be undertaken, or that *that one* must be done. . . .

People say that every civilization must finally fall into ruin and disintegrate. There are eminent supporters of this idea. One was a German teacher, Spengler, and another one, much better known, was the English historian, Toynbee. They tell us that our civilization is now old. Spengler compared civilizations to plants which grow and grow, but

whose life finally comes to an end. The same, he says, is true for civilizations. The metaphorical likening of a civilization to a plant is completely arbitrary.

First of all, it is within the history of mankind very difficult to distinguish between different, independent civilizations. Civilizations are not independent; they are *interdependent*, they constantly influence each other. One cannot speak of the decline of a particular civilization, therefore, in the same way that one can speak of the death of a particular plant.

But even if you refute the doctrines of Spengler and Toynbee, a very popular comparison still remains: the comparison of decaying civilizations. It is certainly true that in the second century A.D., the Roman Empire nurtured a very flourishing civilization, that in those parts of Europe, Asia, and Africa in which the Roman Empire ruled, there was a very high civilization. There was also a very high *economic* civilization, based on a certain degree of division of labor. Although it appears quite primitive when compared with our conditions today, it certainly was remarkable. It reached the highest degree of the division of labor ever attained before modern capitalism.

It is no less true that this civilization disintegrated, especially in the third century. This disintegration within the Roman Empire made it impossible for the Romans to resist aggression from without. Although the aggression was no worse than that which the Romans had resisted again and again in the preceding centuries, they could withstand it no longer after what had taken place within the Roman Empire.

What had taken place? What was the problem? What was it that caused the disintegration of an empire which, in every regard, had attained the highest civilization ever achieved before the eighteenth century? The truth is that what destroyed this ancient civilization was something similar, almost identical to the dangers that threaten our civilization today: on the one hand it was *interventionism*, and

on the other hand, *inflation*. The interventionism of the Roman Empire consisted in the fact that the Roman Empire, following the preceding Greek policy, did not abstain from price control. This price control was mild, practically without any consequences, because for centuries it did not try to reduce prices below the market level.

But when inflation began in the third century, the poor Romans did not yet have our technical means for inflation. They could not print money; they had to debase the coinage, and this was a much inferior system of inflation compared to the present system, which—through the use of the modern printing press—can so easily destroy the value of money. But it was efficient enough, and it brought about the same result as price control, for the prices which the authorities tolerated were now below the potential price to which inflation had brought the prices of the various commodities.

The result, of course, was that the supply of foodstuffs in the cities declined. The people in the cities were forced to go back to the country and to return to agricultural life. The Romans never realized what was happening. They did not understand it. They had not developed the mental tools to interpret the problems of the division of labor and the consequences of inflation upon market prices. That this currency inflation, currency debasement, was bad, this they knew of course very well.

Consequently, the emperors made laws against this movement. There were laws preventing the city dweller from moving to the country, but such laws were ineffective. As the people did not have anything to eat in the city, as they were starving, no law could keep them from leaving the city and going back into agriculture. The city dweller could no longer work in the processing industries of the cities as an artisan. And, with the loss of the markets in the cities, no one could buy anything there anymore.

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News from the Institute

Books:

Economic Policy: Thoughts for Today and Tomorrow might be Mises's best-selling book. This new release by the Mises Institute is certainly the most beautiful edition to appear yet. It is a very clear explanation of the basics of economic policy: private property, free trade, exchange, prices, interest, money and inflation, socialism, fascism, investment, and much more. As Mises discusses each topic, he addresses the many merits of market institutions and the dangers of intervention.

These chapters were originally delivered as lectures in Argentina in 1958, at the University of Buenos Aires. Mises had urged Argentina to turn from dictatorship and socialism toward full liberty, so there is a special urgency behind the cool logic employed here. The book's continued popularity is due to its clarity of exposition on the ways in which economic policy affects everyone.

The Economics and Ethics of Private Property, by Hans-Hermann Hoppe, deals with the meaning of the ancient commandment: "Do not steal." Hoppe says that this is the first principle of sound economic systems. In our time, no one has done more than Hans-Hermann Hoppe to elaborate on the sociological implications of this truth. And this is his great work on the topic. The Austrian tradition is known for offering the most hard-core defense of private property, and the most consistent application of that principle, of any school of economics. The work of Hoppe—a leading student of Rothbard's whose books have been translated into a dozen languages—has focused heavy philosophical and economic attention on this principle. This book, the second expanded edition after a long period in which it has been unavailable, collects his most important scholarly essays on the topic. ■

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Thus we see that, from the third century on, the cities of the Roman Empire were declining and that the division of labor became less intensive than it had been before. Finally, the medieval system of the self-sufficient household, of the “villa,” as it was called in later laws, emerged.

Therefore, if people compare our conditions with those of the Roman Empire and say: “We will go the same way,” they have some reasons for saying so. They can find some facts which are similar. But there are also enormous differences. These differences are not in the political structure which prevailed in the second part of the third century. Then, on the average of every three years, an emperor was assassinated, and the man who killed him or had caused his death became his successor. After three years, on the average, the same happened to the new emperor. When Diocletian, in the year 284, became emperor, he tried for some time to oppose the decay, but without success.

There are enormous differences between present-day conditions and those that prevailed in Rome, in that the measures that caused the disintegration of the Roman Empire were not premeditated. They were not, I would say, the result of reprehensible formalized doctrines.

In contrast, however, the interventionist ideas, the socialist ideas, the inflationist ideas of our time, have been concocted and formalized by writers and professors. And they are taught at colleges and universities. You may say: “Today’s situation is much worse.” I will answer: “No, it is not worse.” It is better, in my opinion, because ideas can be defeated by other ideas.

Nobody doubted, in the age of the Roman emperors, that the government had the right and that it was a good policy to determine maximum prices. Nobody disputed this.

But now that we have schools and professors and books that recommend

this, we know very well that this is a problem for discussion. All these bad ideas from which we suffer today, which have made our policies so harmful, were developed by academic theorists. . . .

Everything that happens in the social world in our time is the result of ideas. Good things and bad things. What is needed is to fight bad ideas. We must fight all that we dislike in public life. We must substitute better ideas for wrong ideas. We must refute the doctrines that promote union violence. We must oppose the confiscation of property, the control of prices, inflation, and all those evils from which we suffer.

Ideas and only ideas can light the darkness. These ideas must be brought to the public in such a way that they persuade people. We must convince them that these ideas are the right ideas and not the wrong ones. The great age of the nineteenth century, the great achievements of capitalism, were the result of the ideas of the classical economists, of Adam Smith and David Ricardo, of Bastiat and others.

What we need is nothing else than to substitute better ideas for bad ideas. This, I hope and am confident, will be done by the rising generation. Our civilization is not doomed, as Spengler and Toynbee tell us. Our civilization will not be conquered by the spirit of Moscow. Our civilization will and must survive. And it will survive through better ideas than those which now govern most of the world today, and these better ideas will be developed by the rising generation.

I consider it as a very good sign that, while 50 years ago, practically nobody in the world had the courage to say anything in favor of a free economy, we have now, at least in some of the advanced countries of the world, institutions that are centers for the propagation of a free economy. ■

This essay is excerpted from Economic Policy: Thoughts for Today and Tomorrow, newly published by the Mises Institute.



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THOMAS DILORENZO, professor of economics at Loyola College in Maryland, is a senior faculty member of the Ludwig von Mises Institute. He has authored several books, including *The Real Lincoln: A New Look at Abraham Lincoln, His Agenda, and an Unnecessary War* and *How Capitalism Saved America: The Untold History of Our Country, From the Pilgrims to the Present*.

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