

Liberal Read

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Liberalism: the Classical Tradition

BOOK REVIEW

Ludwig von Mises

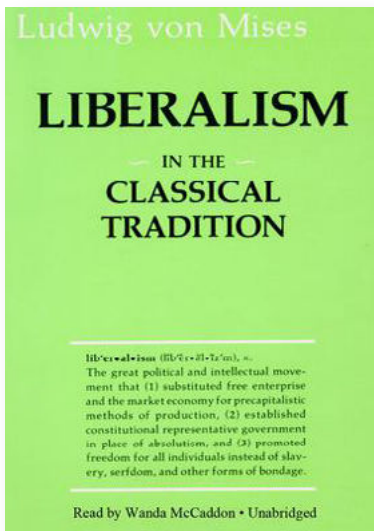
Liberalism: the Classical Tradition

by Adam Mazik

A series of crises has put many liberal ideas under question. Inspired by a popular commercial concept, Liberal Reads are packaged in an easily accessible format that provides key insights in 30 minutes or less. The aim of Liberal Reads is to revisit and rethink classical works that have defined liberalism in the past, but also to introduce more recent books that drive the debate around Europe's oldest political ideology. Liberal Reads may also engage critically with other important political, philosophical and economic books through a liberal lens. Ideological discussions have their objective limits, but they can still improve our understanding of current social and economic conditions and give a much needed sense of direction when looking for policy solutions in real life problems.

Liberal Read

Liberalism: The Classical Tradition



When Austrian economist Ludwig von Mises published *Liberalism* in 1927, the world, particularly Europe, was going through tumultuous times. The end of the 19th and beginning of the 20th centuries, arguably some of the grimmest, most brutal and destructive years in the history of humanity, are also rightfully considered the decades of antiliberal ideas.

While classical liberalism had already ceased to govern the minds of intellectuals and the masses alike for a long time, alternative ideologies—socialism, communism, fascism, or nationalism—were all united in their ultimate goal of dismissing the liberal, democratic, and capitalist systems.

In his most influential work, *Liberalism: The Classical Tradition*, Ludwig von Mises proposes a concise but comprehensive defense of liberal ideas. Through the five chapters, Mises argues that free market capitalism is the only economic system that ensures the continued development, peaceful cooperation, and coexistence of human society. It is against this ultimate end-in-itself that Mises measures his arguments and that of others.

What is Mises's liberalism?

Unlike many of his later followers, Mises does not attempt to justify liberalism based on mere normative statements or the natural rights theory. His arguments are utilitarian, or more broadly, consequentialist. According to Mises, liberalism is the “application of the teachings of science to the social life of man.”¹ By science, he refers to the findings and insights of classical economists such as Adam Smith and David Ricardo as well as more modern (from Mises’s perspective) thinkers such as the founders of the Austrian School of Economics, Carl Menger and Eugen von Böhm-Bawerk. Mises also indirectly refers to his own works quite often.

Mises’s economics-based logic has its pros and cons. Modern readers, even those who agree with Mises on normative grounds, might find his economic arguments questionable. He frequently makes statements that portray his standpoint on economics as an indisputable truth, which could discourage readers who disagree with his assumptions. However, Mises does not consider the system of liberalism as a finished and closed system. Instead, he considers the system open for further developments and insights. Particularly,

1 Mises, Ludwig von. *Liberalism: The Classical Tradition* (Liberty Fund Library of the Works of Ludwig von Mises) (p. 3). Liberty Fund Inc. Kindle Edition.

the Austrian economist emphasizes that the doctrine of liberalism in his time is different from the doctrine during the lives of classical liberal thinkers². Although in the same tradition and in agreement about the fundamental principles of liberal ideology, Mises does not consider himself a classical liberal in the sense of the 18th century but a “neoliberal.”³

Why liberal capitalism—and not socialism or interventionism?

In the first chapter of *Liberalism*, Mises discusses the most important fundamentals of the liberal thought: property, freedom, peace, and equality.

Mises suggests that private property over the means of production is the basis for all other liberal values. The question of property is inseparable from the question of the division of labor. He asserts that both are fundamental to the evolution of human civilization: *“It is by virtue of the division of labor that man is distinguished from the animals. In the absence of the division of labor, we would not be in any respect further advanced today than our ancestors of a thousand or ten thousand years ago.”*⁴ Thus, Mises argues that the only workable system based on the division of labor is liberalism, or capitalism, the system wherein the means of production are privately owned.

The reason for Mises’s strong statement is one of his most famous economic arguments: In a socialist economy, wherein the means of production are collectively owned, economic calculation is impossible because of the lack of a price system. A capitalist economy enables each market actor to make rational and informed choices. The institution of private property creates a market that expresses the relative scarcity of goods and services through prices. Ultimately, in a free market, *price* is derived from the supply and demand of a certain good or service and serves as valuable information. When a particular good is scarce because of high demand, low supply, or a combination of both, this scarcity is reflected in a higher price.

In the absence of a market economy based on private property, the absence of prices makes making rational decisions impossible. This factor is the reason for the infinitely higher productivity of the capitalist system compared to different forms of socialism.

Mises also discusses and dismisses a possible third way between capitalism and socialism: a system of interventionism with elements of both capitalism and socialism. According to the author, this system should be rejected because of its inherent instability. When the means of production are privately owned, any governmental interventions (e.g., tariffs or price regulations) will inevitably require more and more regulation. This eventually leads to full control over the market. Mises claims that *“There is simply no other choice than this: either to abstain from interference in the free play of the market, or to delegate the entire management of production and distribution to the government. Either capitalism or socialism: there exists no middle way.”*⁵

Finally, Mises states that the system of private ownership of the means of production

2 Ibid, p.3

3 Ibid, p.27

4 Ibid, p.18

5 Ibid, p.79

is not just the best economic system—it is the only system of social organization in an industrial society. He considers it as the absolute foundation of human and social cooperation, without which humanity cannot exist without falling back into the state of preindustrial poverty.

Liberalism and the individual: Mises conception of the liberal, democratic state

After outlining this foundational postulate of Mises's thought, we can now proceed with his interpretation of the other basic principles of liberalism: freedom, peace, and equality.

Mises emphasizes that liberalism, which he passionately advocates for in his book, relies on the peaceful cooperation among individuals and nations and the unyielding rejection of war.

Particularly in today's world, it is important to note that Mises's stance on peace has nothing to do with the naive and servile pseudo-pacifism that unfortunately pervades certain factions within the libertarian movement. Mises clarifies that a peaceful nation attacked by an aggressor has every right to defend itself to the fullest extent of its capabilities.

Freedom and the argument against servility and slavery

Mises highlights that one of the great achievements of the early liberals was to establish the belief that all people deserve freedom in civilized societies. The class and caste privileges of earlier times, which were based on the idea that individuals were either born as masters or slaves, were shattered by the liberal ideas that emerged in the early 18th and early 19th centuries.

Interestingly, Mises also considers economics as the decisive argument against serfdom and slavery. According to the Austrian economist, the undeniable fact that the labor of free individuals—who work for themselves and directly benefit from their work and therefore have the economic incentives to produce as much as they possibly can—is simply infinitely more productive than slave labor serves as irrefutable evidence against these oppressive systems.

While there is no reason to doubt the overall humanitarian and moral underpinning of Mises's standpoint, it is nevertheless intriguing that he grounds his reasoning not only in moral principles but also in factual and economic arguments:

"We attack involuntary servitude, not in spite of the fact that it is advantageous to the "masters," but because we are convinced that, in the last analysis, it hurts the interests of all members of human society, including the "masters." If mankind had adhered to the practice of keeping the whole or even a part of

the labor force in bondage, the magnificent economic developments of the last hundred and fifty years would not have been possible. We would have no railroads, no automobiles, no airplanes, no steamships, no electric light and power,

no chemical industry, just as the ancient Greeks and Romans, with all their genius, were without these things. It suffices merely to mention this for everyone to realize that even the former masters of slaves or serfs have every reason to be satisfied with the course of events after the abolition of involuntary servitude⁶.”

Peace in the liberal framework—an important reminder for the modern libertarian

Similarly, Mises argues that peace is a crucial foundation of the liberal idea. He begins his argument by highlighting social cooperation as the cornerstone of our civilization. Opportunities for human flourishing are created through cooperation, wealth, and goods rather than through the destruction caused by war. Therefore, Mises asserts that peace always prevails over war.

In traditional societies, where the economy, if it could even be called an economy in our modern sense, is not based on the division of labor, the detrimental effects of war, although still destructive from the perspective of human life and well-being, may not have been as significant as in our present globalized and interconnected economy. The sacrifices made by self-sufficient farmers, who do not rely on imported goods—or, in fact, any other products produced by their peers—cannot be compared to those borne by individuals in modern times during times of war⁷. Consequently, Mises emphasizes that liberalism, which he passionately advocates for in his book, relies on the peaceful cooperation among individuals and nations and the unyielding rejection of war.

Particularly in today’s world, it is important to note that Mises’s stance on peace has nothing to do with the naive and servile pseudo-pacifism that unfortunately pervades certain factions within the libertarian movement. Mises clarifies that a peaceful nation attacked by an aggressor has every right to defend itself to the fullest extent of its capabilities.

“When a peace-loving nation is attacked by a bellicose enemy, it must offer resistance and do everything to ward off the onslaught. Heroic deeds performed in such a war by those fighting for their freedom and their lives are entirely praiseworthy, and one rightly extols the manliness and courage of such fighters.⁸”

Once again, we can observe the consequentialist perspective in Mises’s moral reasoning. The destructiveness of war, whether civil or international, lies in its ability to destroy social cooperation, which forms the very basis of the division of labor that allows humanity to thrive.

Of particular interest in this context is the subchapter where Mises focuses on Russia when discussing liberal foreign policy. It is remarkable, from a modern perspective, how little has changed and how accurately Mises describes the cultural forces that have historically shaped and continue to shape Russia as an aggressive, expansionist state.

“Ever since Russia was first in a position to exercise an influence on European politics, it has continually behaved like a robber who lies in wait for the moment

6 Ibid, p.22

7 Ibid, p.26

8 Ibid, p.24

This entire framework revolves around the idea of social cooperation, which makes possible the division of labor that our civilization and wealth is based on. The state, therefore, needs to use its power to guarantee those fundamentals: (1) by protecting property rights, without which the division of labor cannot be properly utilized, and (2) by protecting the peaceful cooperation among people through enforcing the law.

when he can pounce upon his victim and plunder him of his possessions. [...] The fortunate circumstance that saved civilization from being destroyed by the Russians was the fact that the nations of Europe were strong enough to be able successfully to stand off the onslaught of the hordes of Russian barbarians. [...] People among whom the ideas of Dostoyevsky, Tolstoy, and Lenin are a living force cannot produce a lasting social organization. They must revert to a condition of complete barbarism⁹.

In today's context, with Russia perpetuating war and genocide in Ukraine, Mises's wise words are more crucial than ever. The aggression displayed by Russia toward the peaceful nation of Ukraine is an outright assault on the values defended by Mises. It is an attack on the liberal and cooperative way of life embraced by the free world, endangering not only the freedom of the Ukrainian people but also that of the entire democratic world. Therefore, it is the duty and in the best interest of the liberal community to protect freedom and civilization from barbaric aggression.

"Once this is recognized, it clearly follows what must be the guiding principle of the policy of the civilized nations toward Russia. Let the Russians be Russians. Let them do what they want in their own country. But do not let them pass beyond the boundaries of their own land to destroy European civilization.¹⁰"

Mises's words serve as a lesson for the 21st century, a lesson that the free world has failed to heed in due time and, if it further ignores, will lead to the destruction not just of Ukraine but of the entire democratic world.

Equality, democracy, and the role of the state

Mises defines equality as the equal rights of every human being on Earth. He presents two main arguments to support his viewpoint:

First, Mises contends that for humanity to achieve the highest possible productivity, each person must be free and have equal opportunities. Essentially, the division of labor must remain undistorted¹¹.

Second, Mises lays the foundation for his entire thought system by asserting that equality before the law is essential for maintaining social peace:

⁹ Ibid, p.151-152

¹⁰ Ibid, p.153

¹¹ Ibid, p.28

"It has already been pointed out that every disturbance of the peaceful development of the division of labor must be avoided. But it is well-nigh impossible to preserve lasting peace in a society in which the rights and duties of the respective classes are different. Whoever denies rights to a part of the population must always be prepared for a united attack by the disenfranchised on the privileged. Class privileges must disappear so that the conflict over them may cease."¹²

However, Mises does not advocate for a society based on equality of outcomes. Once again, he emphasizes the productivity argument, stating that the division of labor directly impacts the overall size of the annual product¹³.

The fact that some people are able to produce more and thus earn more is an economic incentive to produce as much as possible—and in the smartest, most efficient way. The Austrian thinker argues that even luxury consumption has an important role in the capitalist system as it is a driver for innovation and improvement:

"The luxury of today is the necessity of tomorrow. Every advance first comes into being as the luxury of a few rich people, only to become, after a time, the indispensable necessity taken for granted by everyone. Luxury consumption provides industry with the stimulus to discover and introduce new things. It is one of the dynamic factors in our economy."¹⁴

This entire framework revolves around the idea of social cooperation, which makes possible the division of labor that our civilization and wealth is based on. The state, therefore, needs to use its power to guarantee those fundamentals: (1) by protecting property rights, without which the division of labor cannot be properly utilized, and (2) by protecting the peaceful cooperation among people through enforcing the law.

Contrary to anarchists, Mises considers the state as an institution that protects individuals from violence and civil war. It is also for this reason that Mises argues for a democratic system, which he sees as a direct reflection of the liberal idea:

"Democracy is that form of political constitution which makes possible the adaptation of the government to the wishes of the governed without violent struggles. If in a democratic state the government is no longer being conducted as the majority of the population would have it, no civil war is necessary to put into office those who are willing to work to suit the majority."¹⁵

Ludwig von Mises, a cosmopolitan globalist

When reading the works of some of Mises's followers, one might assume that he was a conservative, an isolationist, or even a nationalist liberal.

¹² Ibid, p.28.

¹³ Ibid, p.31

¹⁴ Ibid, p.32

¹⁵ Ibid, p.42

Nothing could be further from the truth. If we follow Mises's thoughts, it should be perfectly clear that he did not differentiate between groups and nations. Liberalism, in Mises's understanding, is a universal system that enables peaceful cooperation among all peoples and nations. If the end is to facilitate this cooperation to enjoy the fruits of the heightened productivity because of the division of labor, our thinking should not be limited to our own doorsteps or our country's borders.

Mises vehemently and passionately argues for mutual exchange and free markets. He criticizes the forces that destroy this mutually beneficial cooperation by imposing tariffs, quotas, or other forms of regulation that disturb and limit the division of labor and the ability to buy and sell from anyone and anywhere we want.

For this reason, Mises vehemently and passionately argues for mutual exchange and free markets. He criticizes the forces that destroy this mutually beneficial cooperation by imposing tariffs, quotas, or other forms of regulation that disturb and limit the division of labor and the ability to buy and sell from anyone and anywhere we want. He highlights that those tactics can only benefit certain interest groups at the expense of the entire society, which, in turn, has to pay higher prices and whose productivity thus suffers. The economist proves that, in the long term, a system of free market capitalism is beneficial for everyone.

However, the free movement of capital is not the only aspect that Mises sees as worthy of defense. The Austrian thinker dedicates an entire subchapter to the issue of the free movement of people and labor.

"The liberal demands that every person has the right to live wherever he wants. This is not a "negative" demand. It belongs to the very essence of a society based on private ownership of the means of production that every man may work and dispose of his earnings where he thinks best.¹⁶"

Mises considers immigration as an issue created by trade unions and acts of national protectionism:

"Aside from such coercive measures as the closed shop, compulsory strikes, and violent interference with those willing to work, the only way the trade unions can have any influence on the labor market is by restricting the supply of labor. But since it is not within the power of the trade unions to reduce the number of workers living in the world, the only other possibility remaining open to them is to block access to employment, and thus diminish the number of workers, in one branch of industry or in one country at the expense of the workers employed in other industries or living in other countries.¹⁷"

16 Ibid, p.137

17 Ibid, p.138

According to Mises, immigration control at the national level only results in diminished productivity, similar to tariffs¹⁸. Furthermore, he argues that assimilation of immigrants and multinationality only become problems under an interventionist state, but these disappear with the adoption of liberalism¹⁹.

Conclusion

To fully appreciate Mises's analysis and defense of the democratic system and his rejection of authoritarian forms of government, I recommend for my readers and listeners to acquire a copy of his book and explore the ideas not covered in this summary.

Ludwig von Mises counts as one of the greatest writers in the history of liberalism. His arguments are clear, easy to understand, and surprisingly modern in language. Most notably, his thoughts remain timeless and relevant today, despite the fact that *Liberalism* was published in 1927. The interested reader will greatly benefit from diving further into his reflections on fascism, colonialism, imperialism, and the challenges of parliamentary democracy.

Ludwig von Mises exemplifies an open-minded, cosmopolitan, and consistent liberal thinker. We need to read his works to safeguard the world he so passionately defended. Although some individuals and organizations today misappropriate his name to promote ideas contrary to his arguments, his original legacy deserves careful study, protection, and dissemination.

18 Ibid, p.138




19 Ibid, p.141



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