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HYPERINFLATION AND THE DESTRUCTION OF HUMAN PERSONALITY

By Joseph T. Salerno

JAVIER MILEI AND ARGENTINA'S ECONOMIC CHALLENGE

By Nicolás Cachanosky

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BY JOSEPH T. SALERNO

MISES INSTITUTE

518 W. Magnolia Ave., Auburn, AL 36832-4501
334.321.2100 | 800.OF.MISES | Fax: 334.321.2119
contact@mises.org | mises.org



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Editor: Ryan McMaken

Managing Editor: Judith F. Thommesen

Copyeditor: Daniella Bassi

Design/Layout: Kim Koellsted

Contributing Editors: Tho Bishop, David Gordon, Jonathan Newman





“Once in a great while, a book appears that both embodies and dramatically extends centuries of accumulated wisdom in a particular discipline, and, at the same time, radically challenges the intellectual and political consensus of the day. *Human Action* by Ludwig von Mises is such a book, and more: a comprehensive treatise on economic science that would lay the foundation for a massive shift in intellectual opinion that is still working itself out fifty years after publication.”

So begins the introduction to the 1998 scholar’s edition of Mises’s *Human Action*, written by Jeffrey Herbener, Hans-Hermann Hoppe, and Joseph Salerno. These words still ring true today.

We are excited to invite you to join us at the Mises Institute in Auburn, Alabama, for our **Human Action Conference**, celebrating the 75th anniversary of Ludwig von Mises’s masterpiece.

Students and enthusiasts of Austrian economics are encouraged to attend. The talks are intended for a broad audience to engage with the Misesian tradition and legacy.

The papers presented at the conference will be published as a commemorative volume, guaranteeing that the intellectual legacy of *Human Action* lives on. This book is a very important weapon in the never-ending war of ideas.

All conference attendees will receive an elegant limited-edition leather-bound volume of *Human Action* with a new foreword by Dr. Joseph Salerno, the Academic Vice President of the Mises Institute.

Join us at the Human Action Conference to champion the scholarship of freedom. It is important.

We hope to see you in Auburn in May for this historic and inspiring event!

Space is limited. If you have questions contact Kristy Holmes (kristy@mises.org) or call 334-321-2101. For complete information about the Human Action Conference go to mises.org/ha24.

75 YEARS OF HUMAN ACTION

L. Mises

JOIN US IN AUBURN
TO CELEBRATE THE
75TH ANNIVERSARY
OF HUMAN ACTION



Photo by Gage Skidmore.

Mises Institute Senior Fellows, Fellows, and Associated Scholars will deliver presentations discussing the significance of *Human Action*, including a keynote lecture from **Dr. Hans-Hermann Hoppe**.

From the Editor

Inflation Is Destroying Us

One of the most damaging shortcomings of modern statistics-based economics is that it all too often removes the individual human person from its analysis. In this setting, “economics” becomes a matter of “macro” aggregates and data factoids like GDP and CPI. This kind of “economics” removes the individual acting person as the central, key variable.

Austrian School economics, on the other hand, never loses sight of the importance of the individual in understanding economic analysis. This focus on the individual provides another advantage as well: Austrian School economists are far less likely to forget the fact that society and the economy are not machines to be fine-tuned and tinkered with. Rather, we understand that groups of individuals are far too diverse and complex to allow for central planning. We delude ourselves if we think we can anticipate, plan, or manage the wants and needs of millions of individuals.

Our focus has never strayed from seeing the flesh and blood of human beings behind every economic statistic, every easy-money scheme, and every new dangerous experiment in public policy.

In our current age of rampant monetary inflation and price inflation, good economics has become more relevant for ordinary people. Inflation, of course, is not some arcane matter of consumer price indices and statistics on the monetary base. Inflation, for many people, is simply ruinous on the personal level. Despite claims to the contrary, incomes are not keeping up with inflation in the real world. The prices of housing, education, and even groceries continue to force down the standard of living for millions of Americans. The CPI has increased by 20 percent since 2020. Cash savings and incomes have fallen significantly in their purchasing power, harming people of ordinary means. A new home is quickly becoming unattainable for first-time buyers.

The effects of this inflationary regime cannot be fully measured by numbers on spreadsheets. There are deeper societal effects as well. In this issue of *The Misesian*, Academic Vice President Joseph Salerno examines the effects of economics on our very ideas about ourselves as human beings with detailed examples in historical context. He writes: “Money and property are thus essential elements in the socioeconomic process conditioning what an individual human being is and can become. Without economic calculation based on sound money, not only is it impossible for entrepreneurs and businesses to reasonably calculate the outcome of alternative investment decisions, but it also becomes impossible for a person to even know who he is or to reasonably assess the possibilities of what he can become.”

This issue also contains a special Q and A with economist Nicolás Cachanosky, who is a native of Argentina, explaining how galloping inflation has demoralized and destroyed the Argentine middle class, leading to political victories for Javier Milei. Unfortunately, he notes, Argentina’s inflation-fueled problems go much deeper than what can be fixed in a few years. Argentina will need to embrace long-term reform to escape the inflationary trap.

Readers will also find in these pages two excellent book reviews from Senior Fellow David Gordon. In the first review, he covers topics critical to understanding our current economic malaise. In his second review, Dr. Gordon examines how even free-market economists can go wrong when they fail to understand the true nature of money. Good theoretical foundations are always essential to good economics and good policy.

As always, you will find in this issue news on past and upcoming Mises Institute events—including a brief on February’s Tampa conference on inflation and a rundown on this year’s Austrian Economics Research Conference—students, faculty, and more.

There is much more to come in 2024.



RYAN McMAKEN

✉ rwmcmaken@mises.org

Ryan McMaken is Executive Editor of mises.org and editor of *The Misesian*.



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HYPERINFLATION and the DESTRUCTION of

Human Personality



Joseph T. Salerno

Joseph T. Salerno received his PhD in economics from Rutgers University. He is professor emeritus of economics in the Lubin School of Business of Pace University in New York City. He is the editor of the Quarterly Journal of Austrian Economics and the Academic Vice President of the Ludwig von Mises Institute, where he serves on the board of directors. Professor Salerno also held the inaugural Peterson-Luddy Chair in Austrian Economics at the Mises Institute and the inaugural John V. Denson II Endowed Professorship in the economics department at Auburn University.

The Link between Economic Calculation and Human Personality

Economists and historians have clearly shown that the destruction of the value and function of money by hyperinflation makes economic calculation impossible and leads to economic and social disintegration and widespread poverty. What is not so clearly understood, even by many economists, is that during periods of rapid inflation, the inability to economically calculate undermines the very nature of property and causes a withering of the human personality, which is intimately connected with property ownership. By eliminating the means of appraising and rationally allocating one's property, hyperinflation eliminates the very basis of independent human existence and personality under a system of social cooperation. The inevitable result is the dissolution of the society of voluntary contract and its replacement by a hegemonic order in which property and personality are collectivized.

The central role of money and property in the formation of the individual human personality under the division of labor has yet to be investigated in any depth, and I will not attempt to do this here. However, I will note that in speaking of the human personality, I am referring to what has been called, usually derisively, the "bourgeois personality."¹ This is the common state of thinking and being that characterizes the modern individual operating in a private-property social order. The bourgeois person is goal oriented, self-interested (but not necessarily

¹ I am indebted to David Gordon for this insight.

Specialized production and voluntary exchange are the essence of social action and are necessarily guided by market prices.



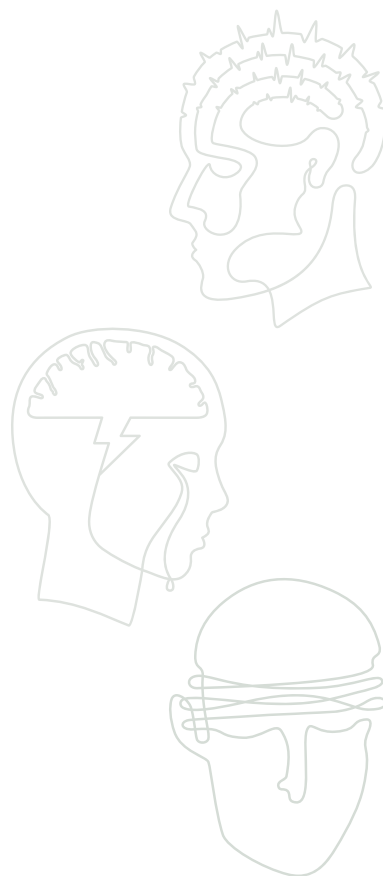
selfish), thrifty, and uses time as a scarce resource to improve his productivity and enhance his future well-being. In pursuing his own interests, this person must consciously and repeatedly act *socially*. That is, he must specialize in producing goods and services that are valued by people whom he most likely does not know. By producing for and exchanging with these unknown persons, he integrates himself into what Ludwig von Mises calls the social division of labor. Specialized production and voluntary exchange are the essence of social action and are necessarily guided by market prices. They involve the deliberate choice of concrete means and ends and the monetary calculation of costs and benefits. Human personality, as the term is used here, therefore, does not refer to a cluster of psychological attributes and qualities; rather, it is a mode of being and becoming someone that is based on economic calculation and the ownership of property. Software engineer, Uber driver, restaurateur—none could have become what they are in the absence of money and private property.

The Destruction of Property and Personality during Hyperinflation

As the general medium of exchange, money is the tool for appraising one's property, estimating one's wealth, and judging one's prospects of future well-being. Once the future value of money becomes impossible to reliably forecast, ordinary people



The concrete effects of the destruction of money and property on human personality are demonstrated most vividly in the historical episode of the German hyperinflation of 1923.



lose the ability to rationally use their property and preserve their wealth and thus become incapable of planning for the future. This leaves them little choice but to dissipate their wealth and energy in striving after immediate gratification. This rise in time preference—that is, in the premium on present satisfaction relative to satisfactions in the future—nullifies the value of productive work, thrift, and sober investment. It brings about a social revolution in which the productive middle class, entrepreneurs, capitalists, and inventors are destroyed and replaced by gamblers, con artists, and swindlers at the top of the social structure.

Inflation does not just wipe out the savings of the productive classes and divert their energies into sterile and corrupt pursuits, however; it also deforms and attenuates their personalities. Whether we like it or not, men and women exist in a world where they cannot live and flourish physically or spiritually without property. As the founder of the Austrian School, Carl Menger, pointed out, “Property is not . . . an arbitrarily combined quantity of goods but a direct reflection of [a person’s] needs, an integrated whole, no essential part of which can be diminished or increased without affecting realization of the end it serves.” Thus property is the foundation of human personality—no meaningful motion, activity, or expression of thought is possible without it, for human personality is not the spontaneous projection into the external world of random inner urges that characterizes the unreflective behavior of a human infant. Personality is the external projection of a deliberately planned mode of individual being and becoming. As such, it involves a conscious arrangement of activities whose pursuit requires a carefully chosen structure of means; that is, property. Property therefore is not a haphazard collection of things that can be completely described in physical terms but rather the coherent, objective embodiment of the yearnings and aspirations of the human spirit.

In a real sense, then, property defines and delimits an individual’s personality. A person cannot be whatever he wants to be; he is rigidly limited by the means at his disposal. One is not truly a novelist unless he possesses a room, a desk, a computer, and word-processing software; a restaurateur must have access to a kitchen stocked with food. A person cannot even pursue leisure or vocational activities without possessing specific concrete means. One is not a fisherman without fishing tackle and access to a boat and body of water; one cannot be a golfer without the possession of, or the means of acquiring, golfing equipment.

Furthermore, in an exchange economy, it is economic calculation based on money prices that gives meaning to a collection of different kinds of concrete goods and enables the actor to transform these goods into an integrated structure of property suited to his system of ends. Without money prices to guide him in his calculations, a person acts with blinders when entering a profession or business because he can never know whether these activities will generate sufficient income to help sustain his existence. Furthermore, a person does not know the degree of his success or his position in the social structure unless he can calculate the monetary value of his possessions. Has he achieved

eminence or suffered crushing disappointment? Is he prince or pauper?

People cannot even know what or who they will be in the future without knowing the monetary value of their accumulated savings and assets. All their plans for themselves and their children are shaped by this knowledge. Will a person likely retire to a gated community with a plush golf course at the age of sixty; or will he be greeting customers at the local Walmart as a septuagenarian?

Money and property are thus essential elements in the socioeconomic process conditioning what a human being is and can become. Without economic calculation based on sound money, not only is it impossible for entrepreneurs and businesses to reasonably calculate the possible outcome of alternative investment decisions, but it also becomes impossible for a person to even know who he is or to reasonably assess what he can become. During the German hyperinflation, for example, university professors and high-ranking civil servants on relatively fixed salaries could no longer support themselves and their families and, overnight, they became taxi drivers and waiters, with all that this implied for their professional and personal relationships, social position, and retirement prospects.

The German Hyperinflation

The concrete effects of the destruction of money and property on human personality are demonstrated most vividly in the historical episode of the German hyperinflation of 1923.

In the extreme case of hyperinflation, as the value of money hurtles toward zero, property loses its meaning, human personality withers, and society disintegrates. This all-important connection between money and property

on the one hand and human personality on the other was dramatically expressed by the German historian and sociologist Konrad Heiden, a shrewd observer of the great German hyperinflation. Wrote Heiden: “The German people was one of the first to witness the decay of those material values which a whole century had taken as the highest of all values. The German nation was one of the first to experience the death of the unlimited free property which had lent such a royal pride to modern humanity; money had lost its value—what, then, could have any value? Of course, many were accustomed to having no money; but that even *with* money you had nothing—that was a twilight of the gods. . . . A cynical frivolity penetrated men’s souls; no one knew what he really possessed and some men wondered what they really were.”²

Heiden’s insights are illustrated in the statements of a woman who lived through the German hyperinflation. Erna von Pustau was a middle-class resident of Hamburg who was interviewed by the eminent American writer Pearl Buck. Pustau’s reminiscences reveal how the German people lost their intellectual and spiritual moorings amid the calculational chaos of hyperinflation. The inability to perform simple accounting calculations that were a matter of routine in the past caused confusion of thought and language. As Pustau recalled,

² Heiden was the leader of a small democratic organization in 1923, when he came into conflict with Adolf Hitler and his rising movement by sponsoring anti-Nazi parades, mass protests, and large posters. See Konrad Heiden, *Der Fuehrer: Hitler’s Rise to Power*, trans. Ralph Manheim (Boston: Houghton Mifflin, 1944), excerpted in *The German Inflation of 1923*, ed. Fritz K. Ringer (New York: Oxford University Press, 1969), 164–218.

The state wiped out property, livelihood, personality, squeezed and pared down the individual, destroyed his faith in himself by destroying his property—or worse, his faith and hope in property.

The malfunctioning of money penetrates to the very core of one's self-identity.



“We could hardly say that our mark was falling, since, in figures, it was constantly going up and up and up, and so did the prices, and this was much more visible than the realization that the value of our money was going down. It sounds confusing, doesn't it? But this confusion belongs to inflation, is inseparably connected with it, and was one of the reasons why the people gave up thinking things out. It all seemed just madness and it made the people mad.”

Pustau quoted the following line from a popular song of the day that alluded to the destruction of wealth caused by the unrestrained lust for immediate gratification: “We are drinking up our grandma's little hut and the first and second mortgage, too.” Pustau then remarked, “Saving is the very source of wealth and health of a sound nation. But, we have no longer a sound nation. We are on our way to become a crazy, a neurotic, a mad nation.” Pustau also commented on the spiritual trauma inflicted by the sudden collapse of the social structure, lamenting, “It was a sad world, a world in which none was better than the other and all was a matter of chance and degree. A sad world, and a sad conception for a

girl who still remembered the good old times of Grandmother! Our times made us cynical.”

A music lover, Pustau related an ordeal in which she and her suddenly impoverished middle-class friends were forced to wait for hours in line to purchase standing-room tickets to see Wagner's *Twilight of the Gods*. Most of the seats in the theater had been bought by people who chose to attend not because they were genuine music lovers but because they had gained a windfall from the inflation. This incident impressed on Pustau that the malfunctioning of money penetrated to the very core of one's self-identity, and it radically reshaped her most cherished goals and beliefs about the world. Thus she stated, “[Wagner's gods] set fire to the entire world, yet they did it for great things, for heroic deeds, for love—for this beautiful thing love. And how is it with us? We fight for tickets, we fight for pennies. It is these ugly little things that break us down. . . . It was all so mixed up with money. We used to consider money as nothing and we said, ‘Money is dirty,’ and ‘One doesn't speak about money.’ And here everything was mixed

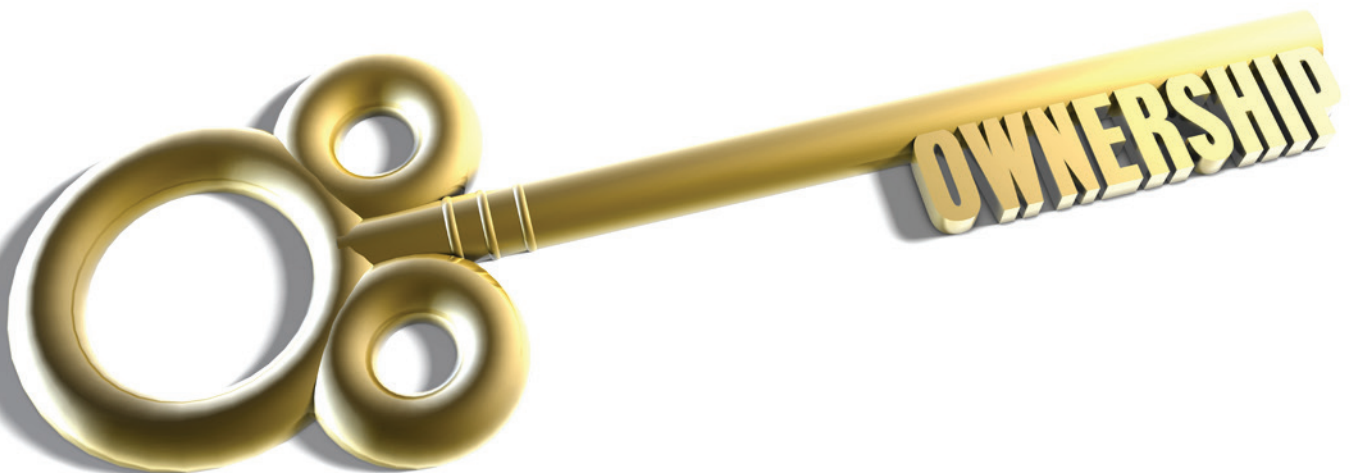


up with money and with small sums only and small things.”

Pustau summed up her recollections of the hyperinflation by comparing the cultural and moral effects of hyperinflation to those of war: “For a battle it was this inflation, fought out with financial means. The cities were still there, the houses not yet bombed and in ruins, but the victims were millions of people. They had lost their fortunes, their savings; they were dazed and inflation-shocked and did not understand how it had happened to them and who

the foe was who had defeated them. Yet they had lost their self assurance; their feeling that they themselves could be the masters of their own lives if only they worked hard enough; and lost, too, were the old values of morals, of ethics, of decency.”

The sociologist Heiden vividly summarized the general lesson of the experiences of the millions of Germans



like Erna Pustau who were caught up in the hyperinflation: “Man had measured himself by money; his worth had been measured by money; through money he was someone or at least hoped to become someone. Men had come and gone, risen and fallen, but money had been permanent and immortal. Now the State had managed to kill this immortal thing. The State was the conqueror and successor of money. And thus the State was everything. Man looked down at himself and saw that he was nothing.”

Thus, as Heiden keenly perceived, in Germany the abolition of money through hyperinflation rendered property meaningless and thereby obliterated the basis of human personality. Social and economic institutions long taken for granted disintegrated and disappeared, and the social structure itself began to dissolve, causing human existence to become atomized and aimless. Thought, language, values, culture—all were deformed as the interior life of the individual was drained of meaning and purpose and, to a great extent, extinguished.

Heiden concisely summed it up: “The state wiped out property, livelihood, personality, squeezed and pared down the individual, destroyed his faith in himself by destroying his property—or worse, his faith and hope in property. Minds were ripe for the great destruction. The state broke the economic man beginning with the weakest.” Heiden is here not referring to the abstract “economic man” but to the flesh-and-blood bourgeois man, the social being whose existence is rooted in private property and the market economy.

The State as the Molder of Personality

There was nothing definite but the state left to fill the economic and spiritual vacuum created by the German hyperinflation. But a shrewd and cunning German politician named Adolf Hitler understood the nature of inflation as a gigantic material and *spiritual* swindle and recognized the deforming of German souls and personalities and the corresponding disintegration of German society. Hitler taunted the German people for tolerating the swindle and at the same time promised them material relief and spiritual regeneration in the state, the successor of money.

Heiden reported that Hitler told the following story at a meeting in the summer of 1923: “We have just had a big gymnastic festival in Munich. Three hundred thousand athletes from all over the country assembled here. That must have brought our city lots of business, you think. . . . There was an old woman who sold picture postcards. She was glad because the festival would bring her plenty of customers. She was beside herself with joy when sales far exceeded her expectations. Business had really been good—or so she thought. But now the old woman is sitting in front of an empty shop, crying her eyes out. For with the miserable paper money she took in for her cards, she can’t buy a hundredth of her old stock. Her business is ruined, her livelihood absolutely destroyed. She can go begging. And the same despair is seizing the whole people. We are facing a revolution.”

The German hyperinflation is a concrete historical example of how the destruction of property affects human personality formation. It illustrates a link between property and personality that is based on the universal principles established by praxeology, the same science of human action that encompasses sound economics.

Hitler perceptively noted that once the government had begun to run the printing presses “full time,” it was doomed to continue the “swindle” until the bitter end of a hyperinflationary breakdown. Stopping the monetary expansion would reveal to workers that their real income was substantially less than they realized and that much was being siphoned off to pay reparations to foreign powers as mandated by the Treaty of Versailles. This revelation would spell the downfall of the government. In the meantime, people’s confidence in the established moral and social order associated with capitalism would be shattered, as the vicious would replace the virtuous at the top of the socioeconomic structure. As Hitler wrote in his daily newspaper in 1923: “The government goes on calmly printing these scraps, because, if it stopped, that would mean the end of the government, because once the printing presses stopped . . . the swindle would at once be brought to light. For then the worker would realize that he is only making a third of what he made in peacetime. . . . Believe me, our misery will increase. The scoundrel will get by. But the decent, solid businessman who doesn’t speculate will be utterly crushed; first the little fellow on the bottom, but in the end the big fellow on top too. But the scoundrel and swindler will remain, top and bottom. The reason: because the state itself has become the biggest swindler and crook. A robbers’ state.”

Now, although Hitler spoke more truthfully about the nature and effects of inflation than our current central bankers and academic economists, his intent was not to present a program for abolishing the “robbers’ state” and restoring sound money, private property, and the moral and social order of capitalism. Rather Hitler sought to frighten and shame the propertyless, demoralized, and atomized German masses into abandoning the corrupt and shortsighted social democratic politicians of the Weimar Republic and seeking salvation in a dictatorial state run by his National Socialist movement. Accordingly, Hitler forewarned that people who were earning billions of marks would literally starve to death. The farmer would stop selling his products for the worthless billions which he can only use to “paper his outhouse on the manure heap.” What Hitler hoped to bring about was what he called the “revolt of the starving billionaires.” According to Hitler, “If the horrified people can starve on

As Friedrich Hayek pointed out, “Nobody can be a great economist who is only an economist—and I am even tempted to add that the economist who is only an economist is likely to become a nuisance if not a positive danger.”



billions, they must arrive at this conclusion; we will no longer submit to a state which is built on the swindling idea of the majority, we want dictatorship!”

Hitler, however, used more than fear to motivate his listeners. He capitalized on the self-contempt of those who had been swindled out of their property and moral values, and whose sense of self had been shattered. He saw that people like these had regressed to the immature state of adolescence and were ready to follow a leader—to reconstruct their own moral codes and personalities according to the artificial collectivist and nationalist ideal of the leader’s twisted vision. Hitler addressed and chastised them accordingly: “The German people [is] made up of children, for only a childish people will accept million-mark bills.”

Heiden insightfully connected Hitler’s aim in his speeches on hyperinflation with the derangement of his own personality as a product of the same moral, economic, and social catastrophe of hyperinflation: “It was the artificial building of a new national character, an *ersatz* character, an attitude created in accordance with an artificial plan. The people dream and the soothsayer tells them what they are dreaming. This continuous, domineering yet intimate conversation with the people could only be carried on by a man who was people and enemy of the people in one; a torn personality who felt himself a trampled fragment of the people in his own downtrodden miserable nonentity, and rebelled with the people against this destiny; but who at the same time was convinced of the absolute necessity of trampling, coercing and shaking the master’s fist.”

Hitler not only utilized this theme of the degeneration and reconstruction of personality as a rhetorical device. He developed it into one of the fundamental principles of the National Socialist philosophy. In a chapter in *Mein Kampf* entitled “Personality and the Conception of the Folkish State,” Hitler elaborated his vision of the National Socialist state, whose “chief task” he saw as “educating and preserving the bearer of the state.” Underlying this state would be a philosophy that “builds not upon the idea of the majority, but upon the idea of personality.”

For Hitler, personality emerges from the inventive ideas and creative actions of especially able individuals, but only reaches its full realization in the organized state, and especially

the leadership of that state. Individuals do not possess personality but are possessed and molded by it; their very being does not emanate from within but penetrates from without. For Hitler, personality originates solely in the leader and permeates and animates the entire nation, turning it into a living thing.

Hitler’s warped principle of personality pervades and organizes all fields of human endeavor, including thought, art, and economic life. Indeed, Hitler argued, “the idea of personality is everywhere dominant—its authority downward and its responsibility toward the higher personality.” However, it is stifled and incompletely realized because it is prevented from entering political life by the antithetical principle of majority. Hence, Hitler concluded, “The best state constitution and state form is that which . . . raises the best minds in the national community to leading position and leading influence.” Within a decade of the publication of these words, Hitler was to have his ideal state, which would displace money and private property as the shaper of human personality and society.

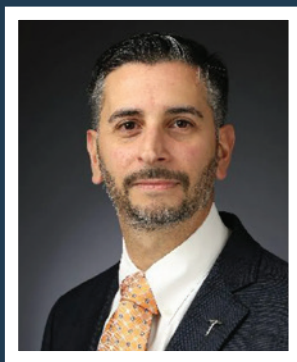
Conclusion

The German hyperinflation is a concrete historical example of how the destruction of property affects human personality formation. It illustrates a link between property and personality that is based on the universal principles established by praxeology, the same science of human action that encompasses sound economics. In contrast, the mechanistic, compartmentalized, and hypermathematical discipline that is contemporary macroeconomics can never begin to grasp the full moral and social enormity of hyperinflation. Its narrowly specialized practitioners are not even conversant with all the branches of economic science, let alone the closely related disciplines of history, sociology, psychology, and political philosophy. A working knowledge of the main conclusions of these disciplines is necessary for an economist who seeks to fully explain the causes and consequences of a complex economic event such as the German hyperinflation of 1923 or the Great Depression of the 1930s. As Friedrich Hayek pointed out, “Nobody can be a great economist who is only an economist—and I am even tempted to add that the economist who is only an economist is likely to become a nuisance if not a positive danger.” ■

JAVIER MILEI AND ARGENTINA'S ECONOMIC CHALLENGE



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Nicolás Cachanosky

Nicolás Cachanosky, a native of Argentina, is an associate professor of economics and director of the Center for Free Enterprise at the University of Texas at El Paso.

Argentina's economy has been plagued by increasing inflation since 2007, reaching a world record of 210 percent in 2023. Additionally, the economy has been stagnant since 2011. Poverty rates are also troubling.

The Misesian: It seems to many that Javier Milei was elected due to widespread dissatisfaction with the state of the economy in Argentina. Is this a correct assessment?

Nicolás Cachanosky: Yes, I believe that is quite accurate. Argentina's economy has been plagued by increasing inflation since 2007, reaching a world record of 210 percent in 2023. Additionally, the economy has been stagnant since 2011. Poverty rates are also troubling. Consider this: the younger generation, with their personal and professional lives ahead of them, has only experienced stagflation and *Kirchnerismo* (a left-leaning populism). Furthermore, Cambiemos, the opposition coalition from 2016 to 2019, failed to address the economic issues and consequently lost reelection. The Cambiemos coalition did not rectify the economic problems, leading to disappointment among the public.

Due to a shortage of reserves in the central bank, Argentina lacks enough US dollars to support its imports or meet the demand for foreign currency. Argentines prefer to save in dollars rather than pesos. Strict capital controls restrict how much currency importers can purchase from the global market and limit how much households can save in US dollars.

Given this context, it's natural that many see only two ways out. One is emigration, which many are opting for. The other is to disrupt the political system by electing a political outsider like Javier Milei, who understands how to channel the public's frustration with the political establishment. Milei's use of the pejorative term *caste* to describe political rulers has been one of his most effective rhetorical strategies.

TM: What have been the effects of widespread monetary inflation and price inflation in Argentina? In other words, how has inflation impacted the daily lives of ordinary people?

NC: Let me provide some context first. The average yearly inflation rate during Néstor Kirchner's presidency (2003–7) was 15 percent. Throughout both Cristina Fernández de Kirchner's presidencies (2008–15), the yearly inflation rate rose to 25 percent. Under Mauricio Macri's Cambiemos government (2016–19), the yearly inflation rate escalated to 41 percent. To exacerbate matters, during Alberto Fernández's presidency (2020–23), the yearly inflation rate reached 88 percent. To be clear, these are *yearly* rates, not the accumulated inflation during each presidency. This is problematic.

This high inflation gives rise to a myriad of issues. Firstly, there are no long-term investments in Argentina. Predicting cash flows beyond a few years



becomes virtually impossible. In addition to the high and volatile inflation, uncertain property rights make investing in Argentina a risky endeavor.

One scenario exemplifies the pervasive impact of inflation mismanagement. During the 2001 crisis, the government opted to freeze the prices of utilities (energy, transportation, gas). The rationale behind this policy was to shield low-income families from sudden spikes in utility prices (as the exchange rate depreciated from one peso per dollar to four pesos per dollar). However, revisions of these price controls consistently lagged behind the inflation rate, leading to three primary problems. Firstly, utility firms began incurring losses instead of profits, necessitating government subsidies to offset the unadjusted price controls. Secondly, output started to decline and energy imports surged, depleting central bank reserves and eventually prompting capital controls. Finally, the neglect of fixed capital maintenance gradually became a burden on the broader economy.

More than twenty years later, the utility prices are still an issue that demands a solution.

TM: You have pushed for dollarization in Argentina. How would dollarization help ordinary Argentines?

NC: There are numerous ways. Firstly, it would eradicate inflation, and importantly, it would do so in a credible manner. Low inflation wouldn't

hinge on Milei or any other individual holding the presidency but rather on the framework of monetary institutions.

Secondly, it would diminish the opportunity cost of conducting business in Argentina. The peso has experienced an average inflation rate of 60 percent from the mid-1940s to the present day. With limited domestic savings available, Argentina relies heavily on foreign investments. By eliminating exchange rate risk, dollarization would render Argentina a more appealing destination for investment.

Thirdly, it would shield Argentines from the influence of future populist leaders. Politicizing the central bank and exploiting the inflation tax would no longer be viable options, or at least not as easily achievable. The failed attempts of Correa in Ecuador and Bukele in El Salvador to circumvent dollarization serve as examples of the challenges associated with going against dollarization once it's implemented.

Fourthly, dollarization would pave the way for and incentivize other reforms. Argentina requires fiscal, labor, trade, banking, and financial reforms, among others. Implementing these reforms under the current inflationary conditions is exceedingly challenging. Such reforms take time to enact, and their effects take time to materialize. Dollarization, on the other hand, can be implemented more swiftly, and its impact on inflation is also more immediate.

TM: Are there other ways the state has reduced the standard of living in Argentina? Are government spending and the welfare state a large burden?

NC: As grave as inflation may be, it is a by-product of other underlying issues within the Argentine economy. The scale of Argentina's government is simply unsustainable. Regardless of one's preference for the size of government, the Argentine government's size exceeds what the economy can viably sustain.

A significant factor contributing to this imbalance is the proliferation of social programs and the welfare state following the 2001 crisis. While these programs may have been deemed necessary during the crisis, there has been a lack of long-term planning to address the underlying causes of poverty and roll the programs back. A successful welfare program should ideally become obsolete as its necessity diminishes over time. A welfare program that perpetually expands indicates failure. However, rolling back welfare programs is politically unpopular and delicate, leaving Argentina burdened with a significant fiscal liability.

The detrimental impact of the state on Argentina's economic standard of living is evident in measures such as price controls, import restrictions, and currency depreciation. Moreover, over the past two decades, Argentina has experienced a profound institutional decay, resulting in a disregard for both formal and informal institutions. This erosion of institutional integrity fosters violations of property rights and expropriation.

Multigenerational unemployment further exacerbates the situation, with families experiencing unemployment across multiple generations. This perpetuates a societal mindset where the notion of working toward one's future becomes elusive as reliance on state provisions becomes ingrained.

This breakdown of institutions and the resulting social environment creates fertile ground for the resurgence of populism. It's perhaps unsurprising that many of Milei's behaviors align with the characteristics of a textbook populist leader.

TM: In addition to monetary changes, what fiscal changes must take place to end the debt and inflation spiral?

NC: There is no leeway for further increases in taxes; the government must prioritize cutting spending. However, this task presents significant challenges. If, due to political constraints, an immediate reduction in spending is unfeasible—for example, how probable is it for welfare programs to undergo rapid spending cuts?—the government may need to resort to foreign debt to finance the transition. Yet Argentina lacks access to international debt markets. Consequently, like any government, it is confronted with the tough choice of either risking political power by implementing severe austerity measures or opting for a gradual approach, thereby perpetuating inflation and the looming risk of an economic downturn cascading into a currency crisis.

Another fundamental cause of Argentina's fiscal imbalances is the coparticipation law. In essence, the federal government collects taxes and then

Over the past two decades, Argentina has experienced a profound institutional decay, resulting in a disregard for both formal and informal institutions. This erosion of institutional integrity fosters violations of property rights and expropriation.



redistributes resources to the provinces. While some funds are allocated automatically based on a predetermined formula, others are distributed at the government’s discretion.

This setup creates a breeding ground for misaligned incentives. Provinces do not compete to attract resources based on their efficiency or economic policies, as they do not directly benefit from increased tax revenue. Instead, they vie for the favor of the president to secure a larger share of the discretionary funds. Conversely, the president can exploit these discretionary funds to exert influence over provincial governors to advance their own agendas. Wealthy provinces witness their resources being redistributed to other regions, while economically disadvantaged provinces enjoy a continuous inflow of resources from the federal government.

A more effective approach would involve the federal government solely collecting taxes for its own obligations, while each province assumes responsibility for generating its own revenue and attracting investment to its jurisdiction. The current coparticipation

Argentines prefer to save in dollars rather than pesos. Strict capital controls restrict how much currency importers can purchase from the global market and limit how much households can save in US dollars.

system incentivizes excessive spending rather than fostering fiscal balance.

TM: We have seen a number of Milei supporters call for granting more and more political power to Milei to push through his reforms. Can Milei succeed given the current political realities in governmental institutions in Argentina?

NC: Milei's advocacy for expanded political powers presents a concern. Granting him the authority he seeks would essentially elevate him to a super-president status. The constitution outlines specific conditions under which Congress can delegate additional powers to the executive and delineates the limits thereof. It remains ambiguous whether Congress possesses the constitutional authority to confer some of the powers Milei is requesting. Moreover, while it wouldn't be unprecedented for a president to receive superpowers, it strikes many as peculiar to witness a self-proclaimed libertarian advocating for fewer institutional constraints rather than more.

Although Milei aims to enact a comprehensive set of much-needed reforms, he lacks representation in Congress. Consequently, he must forge political alliances and negotiate with other parties. However, his approach tends toward conflict rather than consensus building. In response to political opposition, he intensifies his criticism of Congress and doubles down on confronting his political adversaries. Today it seems improbable that he will muster the necessary political capital to push through reforms in Congress, as evidenced by the failed attempt to pass his omnibus law. While his all-or-nothing strategy may yield success or failure, it creates uncertainty regarding the extent to which he can implement reforms.

TM: Even if Milei makes impressive progress in reforming the state and its economic policy in coming years, he won't be president forever. Is reform sustainable, or will it all be reversed under the next Peronist president?

NC: For now, this seems to be one of the weakest points in Milei's strategy. Any reform in Argentina must be crafted with the assumption that the succeeding government will likely be populist. Therefore, an institutional or policy reform that hinges on the continuity of the current government is destined to fail.

The lack of certainty poses a significant dilemma. Even a well-designed promarket reform may

have little impact if the market anticipates its reversal within a four-year time frame. This scenario fosters the perception that free-market reforms are ineffective. The certainty issue is particularly challenging in countries like Argentina, characterized by institutional decay.

One of Milei's initial actions was to issue a necessity and urgency decree (NUD), a presidential prerogative reserved for extraordinary circumstances. If free-market reforms can be introduced through an NUD, they can just as easily be nullified by another NUD in the subsequent presidency. Whether Milei's NUD aims to restore individual liberties or not, it sets a precedent that could be utilized to advocate for non-free-market reforms.

The missing element in Milei's reforms thus far is the robustness that would ensure their endurance and irreversibility should they be implemented. ■

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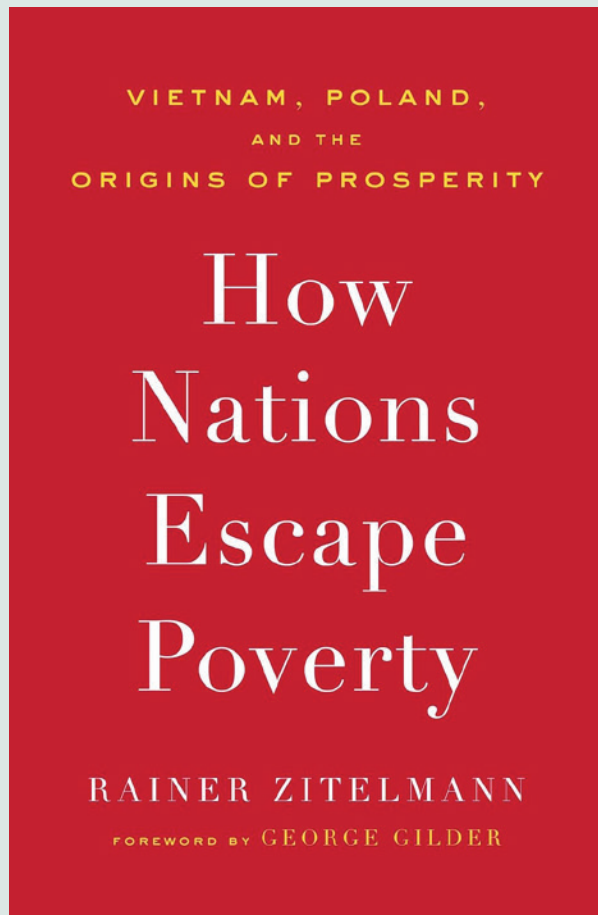


PROGRESS FROM POVERTY

HOW NATIONS ESCAPE POVERTY: VIETNAM, POLAND, AND THE ORIGINS OF PROSPERITY

by Rainer Zitelmann

Encounter Books, 2024; xiii + 212 pp.



Use this QR code and the Mises Institute gets credit for the purchase of this book.



David Gordon is a Senior Fellow at the Mises Institute and editor of the Mises Review.

Rainer Zitelmann has a well-deserved reputation as a defender of the free market; few, if any, can match his immense capacity for amassing relevant facts and using them effectively to support his arguments. This capacity is much in evidence in his latest book, *How Nations Escape Poverty*. They do so, Zitelmann says, by moving from socialism to capitalism, and in the book, he offers a powerful illustration of his thesis. After the Indochina War, Vietnam was one of the poorest countries in the world, but dramatic free-market reforms have made this formerly socialist country prosperous. In like fashion, Communist Poland was among the poorest nations in Europe, but the path toward a free market has brought great improvement.

Zitelmann sets the stage for his account of Vietnam and Poland with a discussion of Adam Smith, who established the basic principle that enables us to determine how nations escape poverty. They can do so only if wages rise, and this is achieved through economic growth. If the economy is growing, people will not see themselves as engaged in a struggle with others over a fixed sum of resources. A growing economy permits most people to gain without trying to take resources from others. As Zitelmann puts it: “Continuous economic growth is the only way to raise wages; a stagnant economy leads to falling wages. . . . The ‘liberal reward of labour,’ Smith wrote, is ‘the effect of increasing wealth,’ and he repeatedly stressed that while ‘society is advancing to the further acquisition . . . the condition of the laboring poor, of the great body of the people, seems to be the happiest and the most comfortable. It is hard in the stationary, and miserable in the declining state.”

According to Zitelmann, Smith realized that the “invisible hand” of the free market is the path of economic growth, but Zitelmann acknowledges

that Murray Rothbard's case against Smith is strong: "The libertarian American economist Murray N. Rothbard . . . minces no words in his vilification of Smith, arguing that he was by no means the advocate of free-market economics that he is commonly portrayed as being. In fact, Rothbard alleges that Smith's erroneous labor theory of value makes him the forerunner of Karl Marx . . . he supported state-imposed caps on the rate of interest, heavy taxes on luxurious consumption, and extensive government intervention in the economy." Zitelmann contends that though "much of this criticism is certainly justified," nevertheless Smith had a "deep distrust of government intervention in the economy and [an] almost boundless faith in the 'invisible hand' that steers markets in the right direction." (Incidentally, Zitelmann tells us that Smith used the phrase "invisible hand" only three times in all his works and that Joseph Schumpeter used the words "creative destruction" only twice in his own work.)

Before Zitelmann turns to Vietnam and Poland, he argues that the way to rescue nations from poverty does not lie in international development aid. Such programs are often based on what government bureaucrats, ignorant of local conditions, believe people really need, according to some blueprint they have concocted and take to be universally applicable. Further, and here Zitelmann reiterates the central point of the book, development aid programs encourage people to accept the false assumption that alleviating poverty requires seizing resources from others. Only if people break free from this assumption can they escape from the "poverty trap." As Zitelmann explains: "The American economist Paul H. Rubin has shown that folk economics . . . are entirely focused on the question of the distribution of wealth, not on

how that wealth is produced. . . . In pre-capitalist societies, the wealth of some was indeed often based on robbery and the exercise of power, i.e., the losses of others. However, the market system is not based on robbery and is not a zero-sum game. It is based on getting rich by satisfying the needs of as many consumers as possible. That is the logic of the market. And the economic growth characteristic of capitalist systems makes it possible for some people and whole nations to become richer, without this necessarily happening at the expense of other people, or nations, who would automatically become poorer, so to speak."

Zitelmann has thus criticized international-aid bureaucrats for ignoring the local knowledge of those living in poor nations as well as the "zero-sum" thinking of these same local people. In doing so, he is consistent in applying his ideas: after all, almost everybody has both true and false beliefs.

Vietnam provides the most startling illustration of Zitelmann's thesis. "With their victory over the Americans, this already proud country became even prouder, for they had defeated the greatest military superpower in history. But their pride suffered over the next ten years as the introduction of a socialist planned economy

After the Indochina War, Vietnam was one of the poorest countries in the world, but dramatic free-market reforms have made this formerly socialist country prosperous.





had a devastating effect on the entire country. Vietnam was the poorest country in the region. While Asian countries that took the capitalist path—for example, South Korea, Hong Kong, and Singapore—achieved incredible growth and escaped poverty, most people in Vietnam lived in bitter poverty, even ten years after the war had come to an end.”

Crucially, the Vietnamese Communist Party learned from its mistakes and instituted free-market reforms, of which the Doi Moi (Renewal) program of the Sixth Party Congress, held in December 1986, was the most important. Readers interested in the details of the program should consult the book, but a fundamental characteristic of these reforms, and of free-market reforms more generally, is that they simply allowed people to do what they had already done on their own: “As important and decisive as the reforms at the Sixth Party Congress had been, it should not be forgotten that they originated in spontaneous, grassroots developments in favor of a freer market, which were then sanctioned at the Party Congress.” Not only is the free market a spontaneous order, in Hayek’s sense; it works best if it originates from a spontaneous process.

As people strive to succeed in the free market, some will prove better able than others to satisfy consumers, and here we reach another key to success. How do people react to the inequalities in income and wealth that result from the process of satisfying consumers? If they demand that the government curtail them, redistributing the gains of the successful to others, market innovation will suffer a grievous blow. If, though, people welcome these inequalities and in particular admire billionaires, continued

The effective reform of socialism entails a return to capitalism.

economic success becomes more likely; and on this score the Vietnamese people rank highly. Zitelmann, who is himself very wealthy, commissioned polls that show that the majority of Vietnamese “regard rich people who have made it on their own as role models” and oppose excessive taxation of them.

We see a similar pattern in Poland. After the country’s extraordinary losses in World War II, one would have expected a recovery, but the imposition of central planning prevented this from occurring. “After World War II, Poland was one of the poorest countries in Europe. . . . If anything, such poor countries should grow faster. Here is another comparison: the southern European countries of Spain, Portugal and Greece, which were as poor as Poland in 1950, grew at twice the rate.” Despite the Polish economy’s wretched record, the Communist Party resisted reform until revolts and strikes forced their hand. Here too readers interested in the details will need to read the book, but those interested in Austrian economics will find one point of great importance. Zitelmann holds that the ideas of the economist Leszek Balcerowicz, which were adopted by the Polish government in 1990, were vital to the success of the Polish free-market reforms, and Balcerowicz accepted the views of Mises and Hayek on socialism. Balcerowicz said that when he studied in the United States in the 1970s, he was “struck by the naiveté of the ‘socialist side’ represented by Oskar Lange et al., and the reasonableness of the ‘antisocialist’ camp, represented by Ludwig von Mises and Friedrich August von Hayek. [He] fully shared von Mises’s ironic prediction that the effective reform of socialism entails a return to capitalism.” As in Vietnam, market reforms in Poland proved successful.

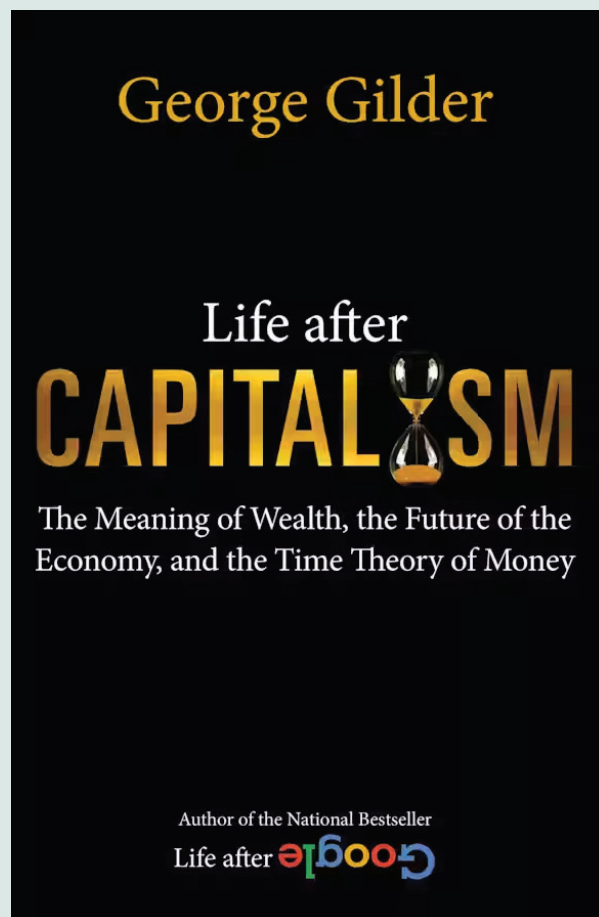
Zitelmann magnificently illustrates a point often made by Mises and Rothbard. Guided by the insights of praxeology, the economist can understand the past in a way that his less theoretically enlightened colleagues are incapable of. ■

CONFUSION WORSE CONFOUNDED

LIFE AFTER CAPITALISM: THE MEANING OF WEALTH, THE FUTURE OF THE ECONOMY, AND THE TIME THEORY OF MONEY

by George Gilder

Regnery Gateway, 2023; 212 pp.



Use this QR code and the Mises Institute gets credit for the purchase of this book.



David Gordon is a Senior Fellow at the Mises Institute and editor of the Mises Review.

George Gilder looks at things in an original way, but this is not always a virtue. There is much good sense in *Life after Capitalism*, but to find it readers will have to wade through a great deal of mumbo jumbo. Let's start with the good sense.

Gilder contends that the contemporary American economy is dominated by an elite group of bankers who greatly impede the efforts of creative entrepreneurs to promote prosperity. Here he finds himself in agreement with his longtime debating opponent Robert Reich: "Reich has become a relentless critic of what I call the 'hypertrophy of finance' in the U.S. economy. . . . Banking leviathans like JP Morgan Chase have been de facto nationalized by the Federal Reserve and the treasury as 'too big to fail.' . . . Not only are the big banks among the richest and most profitable institutions in the economy, but the financial divisions of large manufacturing corporations also dominate their corporate income statements."

According to Gilder, much of the blame for this sad state of affairs comes from Richard Nixon's abandonment of the gold standard (or what was left of it) in 1971. In ending the gold standard, Nixon was guided by Milton Friedman, who wrongly believed that the Fed could end recessions and cope with inflation by controlling the quantity of money: "By assuming that control over the money supply gives the government power to fund infrastructure and defense, provide jobs, promote innovation, and lower prices in each country, monetarism, like Keynesianism, not only invites but virtually requires a government monopoly on money. For 'M' to rule, however, money must have an inelastic element to multiply or push against. Velocity (or money turnover) must be reasonably stable and unaffected by changes in 'M.' . . . If velocity is not a fixed propensity, then consumers

and investors and lenders can counteract any given monetary policy merely by changing the rate at which they spend or invest the dollars. In recent decades, they have neutralized every change in the money supply with a nearly equal and opposite change in turnover.”

Gilder’s book also contains excellent discussions of the “emergency socialism” imposed through the shutdown of the American economy during the hysteria over covid, and he is appropriately skeptical of climate alarmism. Gilder doesn’t “actually believe that carbon dioxide poses any threat at all.” Still another good idea comes from William Nordhaus and, following him, Gale L. Pooley and Marian Tupy, who contribute two chapters to the book. The prices of many commodities have risen in recent decades, but during the same period, hourly wage rates have also gone up. This enables economists to calculate “time-prices” for these commodities, and it turns out that people now have to exert fewer labor hours than in the past to get them. “We buy things with money, but we pay for them with time. This means there are two prices, money prices and time-prices. Money prices are expressed in dollars and cents, while time-prices are expressed in hours and minutes.”

I fear that this is where the mumbo jumbo begins. Time prices are what really matters, and money isn’t a commodity at all, even under the gold standard. According to Gilder, “The experts of money nearly all converge on one temptingly simple and blindingly misleading fallacy: the belief that in one way or another, money is a *commodity*. It is a material thing, valuable in itself because of its physical features and its scarcity. . . . People started trading stuff and got entangled in sticky asymmetrical wickets of barter. . . (Murray Rothbard wants a hot pastrami sandwich, but does the deli owner want a speech snippet on the futility of fractional reserve banking?) Through history, according to the theory, traders tested out one tradeable commodity after another to find one sufficiently fungible to sustain trade. . . . For many centuries, gold manifestly worked as global money.”

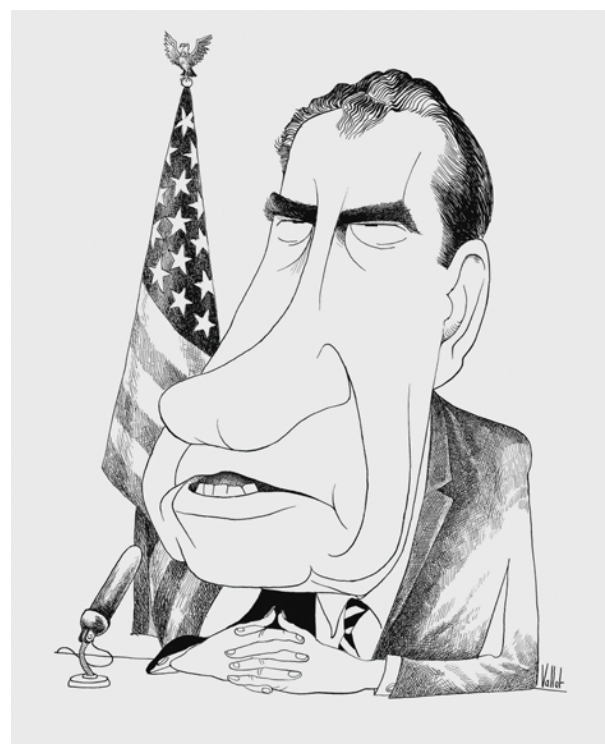
Gilder thinks this account of how money originated is dangerous, but his reasoning is bizarre: “[The theory] conveys the idea that money can be ordered into existence, which, on reflection, is obviously untrue, at least if the money is to be worth anything. . . . It suggests that the fabled ‘money supply’ obeys Say’s Law

and creates its own demand, that money is a part of centripetal government power rather than a measuring stick of wealth.” In Gilder’s topsy-turvy world, an argument that money cannot originate just from a government decree has been transformed into its opposite.

How can Gilder deny that money is a commodity under a gold standard? Isn’t it bought and sold? According to Gilder, the difficulty with taking money to be a commodity is that money is a measure of value but a measure of something cannot be a part of the system it is measuring.

In ending the gold standard, Nixon was guided by Milton Friedman, who wrongly believed that the Fed could end recessions and cope with inflation by controlling the quantity of money

Picture from Alamy.





Although it is usual to speak of money as a measure of value and prices, the notion is entirely fallacious. So long as the subjective theory of value is accepted, this question of measurement cannot arise.

The answer to this contention is obvious; money isn't a "measure" in this strict sense of the word, although the fact that the price of gold tends to be stable over long periods of time makes economic calculation easier under a gold standard. As Ludwig von Mises points out in *The Theory of Money and Credit*, "Although it is usual to speak of money as a measure of value and prices, the notion is entirely fallacious. So long as the subjective theory of value is accepted, this question of measurement cannot arise."

Suppose, though, that Mises is wrong and money is a measure of value, in just the way Gilder thinks it is. Then, Gilder says, it can't be a commodity, and this can be proved by applying a theorem of the great logician and mathematician Kurt Gödel. Gilder thinks that gold can properly be money, and he acknowledges that gold can be bought and sold, but he thinks that this doesn't affect gold's ability to be a measure of value because people mainly use gold jewelry as a store of value. (If you don't see how this argument is supposed

to work, blame him, not me.) "Money is a Gödelian logical system, reflecting Kurt Gödel's 'incompleteness proof.'"

Here is where we at last get to the full expression of the mumbo jumbo. According to Gilder, the incompleteness theorem "demonstrated that every logical system, including mathematics, is dependent on premises that it cannot prove. These premises cannot be demonstrated within or reduced to the system itself. They stand outside." Gilder is talking about the second incompleteness theorem, but this theorem concerns the arithmetic of natural numbers; it is not about "all logical systems." There are in fact completeness proofs for some parts of logic, and one of the most important of these proofs, the completeness proof for first-order logic, was also by Gödel. How the second incompleteness theorem is supposed to apply to money, if money is taken as a unit of measurement, escapes me.

Gilder has an agile mind, but he should not pretend to be a philosopher when he isn't one. ■



MISES CIRCLE IN **TAMPA**

INFLATION: CAUSES, CONSEQUENCES, AND CURE

On a rainy Saturday in late February, over a hundred attendees converged on the Centre Club in Tampa, Florida, for Inflation: Causes, Consequences, and Cure. The event was graciously sponsored by Steve and Amber Shrader and Liberty Villages.

Inflation has had a heavy presence in the financial and political press these last few years—and for good reason. The rate of price inflation shot up to levels not seen in decades, and while it has slowed down, the speed of price increases remains stubbornly high by the Fed’s own admission. The discourse on inflation is dominated by surface-level arguments about the next release of government price data. On the rare occasion that inflation’s causes are brought up, the blame is typically placed at the feet of greedy corporations or whomever happens to be sitting in the Oval Office.

Such shallow discourse is not what Mises Circle attendees found in Tampa. Instead they were treated to three lectures that dove into crucially important aspects of inflation that are mentioned all too rarely.

First, Mises Institute President Tom DiLorenzo spoke about the various groups and institutions who benefit from inflation and who therefore have a stake in a permanent price inflation regime. Next, Mises Fellow Patrick Newman detailed the redistributive effects of inflation—expanding on Murray Rothbard’s characterization of inflation as a race to acquire new money. To close, Academic Vice President and Senior Fellow Joe Salerno detailed how inflation destroys human personality, using 1930s Germany as a vivid example. This talk is our featured article in this issue of *The Misesian*.

Afterward many attendees congregated at World of Beer to engage in casual conversation with the speakers and one another.

Pictures of the event are available at mises.org/24tampa and videos of the lectures can be found at mises.org/tampa2024.



SELECTIONS FROM INFLATION: CAUSES, CONSEQUENCES, AND CURE

Tampa, February 17, 2024



Thomas J. DiLorenzo: “WHO BENEFITS FROM INFLATION?”: UNDERSTANDING THE FED’S REAL INCENTIVES

Mainstream economists make statements about how the purpose of the Fed is to stabilize the economy. If aggregate demand is so excessive that prices are being bid up, the Federal Reserve Board may want to slow the money supply. That’s what generations of college students were taught about the Fed.

But there are also political business cycles. We’re in a presidential election year now. So, if the current Fed chairman wants to keep his job, he has to increase the money supply and do things that the incumbent party wants to do. So a Fed chairman has a built-in incentive.

Now, in return for taking the heat when the economy does go bad, the Fed is allowed to accumulate a big slush fund. When the Fed creates a boom, the politicians, of course, always take credit for it. But when the bust comes, they call in the chairman of the Fed, don’t they? And they have this Soviet Union–style beatdown.

So the way the Fed finances its salaries and its perks is by buying bonds. The Fed, you know, makes money out of thin air and buys bonds. Its income for its own salaries is from the interest on the bonds. OK. And then the Congress tells the Fed, You pay your expenses for running the Fed, and then whatever is left you have to give back to the Treasury. Now, think of the incentive that creates. If I want to have ten assistants, and I’m some Fed bureaucrat, I pay them each six-figure salaries. Well, that increases the expenses. And who cares? Whatever’s left, yeah, we’ll send it. If there’s a dollar left, we’ll send it to the US Treasury. And so this policy gives the Fed an incentive to spend pretty lavishly. And it also has a built-in incentive for price inflation, doesn’t it?



Patrick Newman: “THE REDISTRIBUTIVE EFFECTS OF MONETARY POLICY”: THE WINNERS AND LOSERS OF COVID-ERA INFLATION

We can clearly see that inflation does not treat everyone equally, that inflation is a little bit more of a thief in the night for some individuals in groups than others.

So what have we learned today? One, we’ve learned that mainstream economists don’t discuss price inflation correctly. They often downplay how price inflation is a result of the Fed’s money printing.

The second thing we’ve learned is that mainstream economists fail to analyze how changes in the money supply affect different individuals and businesses first, both temporarily and permanently altering spending patterns. Inflation really does create winners and losers. And those who receive the new money first are the winners, and those who receive the new money last are the losers. Inflation really is the hidden tax.

The third thing we’ve learned is that the Fed’s money printing during covid has definitely created those winners and losers. The most well off, or at least the most connected, have gotten most of the new money.

All the middle class and the poor, especially those who didn’t benefit from the government’s fiscal policies, are the ones who have gotten relatively poorer, right? But we see that there’s clearly been this redistribution, and this explains why there are a lot of people still upset at inflation. Their cost of living has gone up 20 percent, and more people are feeling the pinch than others.

To reiterate what Rothbard said: “Inflation, then, confers no general social benefit; instead, it redistributes the wealth in favor of the first-comers and at the expense of the laggards in the race. And inflation is, in effect, a race—to see who can get the new money earliest.” ■



By Jonathan Newman

This year marks the fiftieth anniversary of the pivotal South Royalton conference, in which graduate students and scholars met for the first academic conference in North America dedicated to Austrian economics. The lectures, given by Murray Rothbard, Israel Kirzner, and Ludwig Lachmann, were collected in *The Foundations of Modern Austrian Economics*, edited by Edwin Dolan.

The modern equivalents of the South Royalton conference include Mises University (for undergraduates), Rothbard Graduate Seminar (for graduate students), and the Austrian Economics Research Conference (for scholars and students). The 2024 AERC was held March 21–23, and it showcased a flourishing field of academic inquiry. One thing that made this event special was the panel of South Royalton attendees, which included Joe Salerno, Murray Sabrin, Jack High, Randall Holcombe, and Walter Block, who were graduate students at the time but are now eminent scholars who teach and train new generations of scholars like Rothbard, Kirzner, and Lachmann before them.

Murray Sabrin, J. Michael Oliver, Edward W. Younkens, and Nicolás Cachanosky delivered fascinating keynote lectures respectively memorializing the work of Ludwig von Mises, Murray Rothbard, Henry Hazlitt, and F.A. Hayek, the giants of Austrian economics. Sabrin also discussed the work of Peter Drucker, one of Mises’s contemporaries in Vienna in the 1920s



1998 Mises U alumni attending AERC this year.



and, coincidentally, at New York University in the '50s and '60s. Both Oliver and Younkens commented on Ayn Rand’s connection to Austrian economics—Oliver focusing on how Rothbard and Rand would evaluate the prospects for liberty in our current political and economic landscape and Younkens addressing



The Austrian Revival Started in 1974 at South Royalton, VT



Top, Murray Sabrin, Murray Rothbard, Mario Rizzo, Joey Rothbard, and Walter Block. Middle, Gary North, Sudha Shenoy, Joe Salerno, and Roger Garrison. Bottom, Walter Block, Jack High, Murray Sabrin, Jose Salerno, and Randall Holcombe.

the ideological overlap between objectivism and Austro-libertarianism. Cachanosky outlined proposals for dollarization in Argentina and how to liquidate and finally abolish its central bank.

The paper presentations, discussions, and academic debates at AERC would have delighted Rothbard, whose career was dedicated to developing Austrian economics into the fruitful and global phenomenon that it is today. Scholars from around the world participated in sessions on money and banking, entrepreneurship, business cycles, free trade, capital and interest, and many other topics.

The student engagement at intellectual rendezvous like AERC especially inspires hope for the future of liberty. Due to the generosity of Mises Institute

donors, thirty-one undergraduate and graduate students were able to attend on scholarship. Four of these rising scholars entered the student essay contest in honor of the eightieth anniversary of the publication of Mises's *Bureaucracy*. The prospects for Austrian economics and liberty are bright—the academic movement that was rejuvenated in South Royalton, Vermont, lives on. ■



Keynote Lectures

F.A. Hayek Memorial Lecture | Sponsored by Donald and Judy Rembert
A Case for Argentina's Dollarization: Why and How to Implement It | Dr. Nicolás Cachanosky

Ludwig von Mises Memorial Lecture | Sponsored by Yousif Almoayyed
The Forgotten Austrian: Peter F. Drucker and the Welfare State | Dr. Murray Sabrin

Murray N. Rothbard Memorial Lecture | Sponsored by Steven and Cassandra Torello
Knowing Murray in the Early Years (1971–1972) and Why Rothbard and Rand Would Relish 2024: Beginning Collapse of Statism and Its Realities | J. Michael Oliver

Henry Hazlitt Memorial Lecture | Sponsored by Shone and Brae Sadler
Ayn Rand and the Austrian Economists | Dr. Edward W. Younkens

AERC Prizes

Lawrence W. Fertig Prize in Austrian Economics for a published paper that best advances economic science in the Austrian tradition
“Is It Money Because It Is Redeemed in Tax Payments?: A Response to Kelton and Wray”
(Quarterly Journal of Austrian Economics 25 no. 4)
Per Bylund

O.P. Alford III Prize in Libertarian Scholarship for a published paper that best advances political economy
“Response to Symposiasts,” Symposium on Wanjiru Njoya’s Economic Freedom and Social Justice: The Classical Ideal of Equality in Contexts of Racial Diversity (Comos + Taxis: Studies in Emergent Order and Organization)
David Gordon and Wanjiru Njoya

Kenneth Garschina Undergraduate Student Essay Contest Honoring the 80th Anniversary of Ludwig von Mises’s *Bureaucracy*

First Place: *A Tale of Two Bureaucracies*
David Brady, Jr. | Florida Southern College

Second Place: *Bureaucracy: Applying Mises’s Insights to Our Present Day*
Teyoman Gokcek | Florida Southern College

Third Place: *Looking Back at the Crossroads: Liberty or Socialism*
Ryan Turnipseed | Oklahoma State University

Honorable Mention: *Bureaucracy and Grove City College: How One College Resisted the Bureaucratization of Higher Education*
Brae Sadler | Grove City College

Kenneth Garschina Graduate Student Essay Contest Honoring the 65th Anniversary of Henry Hazlitt’s *The Failure of ‘The New Economics.’*

Winner: *Hazlitt against Keynes on Unemployment and Wages: A Lesson for Modern Macroeconomics*
Benjamin Seevers | West Virginia University



STUDENT SPOTLIGHT

BBC

Home News Sport Business Innovation Culture Travel Earth Video Live

Why Nigeria's economy is in such a mess

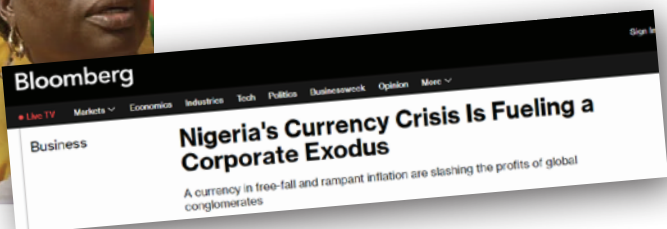
27 February 2024
By Nkechi Ogbonna, BBC News, Lagos

Share



Government policies have worsened the economic crisis, trade unions say

Nigeria is currently experiencing its worst economic crisis in a generation, leading to widespread hardship and anger.



ECON BRO

Nigeria

Mises Apprentice

In 2024, inflation in Nigeria rose to almost 30 percent, the highest rate in three decades. This, coupled with high unemployment, has created a full-blown crisis in that nation, complete with rising crime and political unrest.

In the midst of this chaos, some Nigerians recognize that the issues facing their country are the direct consequences of their state's disastrous ideology. Our Student Spotlight this month is an interview with one such person, who is taking the ideas he has learned through Mises Institute videos and sharing them with students around Nigeria. Due to the threat of violence in his country for those who speak out against the regime, he conducts his work under the pseudonym Econ Bro.

The Misesian: How did you discover Austrian economics and the Mises Institute?

Econ Bro: I discovered Austrian economics after I studied economics at university—Keynesian economics—what everyone learns in school. I decided to further my education after getting my bachelor's degree in economics, but I couldn't afford to go to Cal Tech for a master's.

I decided then to go online and learn what I could, and I came across the works of people like Thomas Sowell, Milton Friedman, and F.A. Hayek.

Sometime in 2021, I was watching an interview with Dave Smith, and he mentioned the word *Rothbardian*. He said he's Rothbardian, so I was curious. I wanted to know what that was. I found the name Murray Rothbard, and I just went down the rabbit hole, and of course, that leads you to the Mises Institute.

And everything I've learned in the past three years I've learned from the Mises Institute. That's how I got to where I am now.

TM: Since going down that rabbit hole, you've begun seminars on Austrian economics in Nigeria. Can you talk about these events and the response you've received?

EB: I started the Nigerian Liberty Project, where I go from college to college, meeting with students and talking to them about the ideas I've come to learn, and then we organize seminars for them.

In Nigeria, we're suffering from very serious inflation, much higher than the levels reported by our statistics bureau.

I teach young people what the actual cause of the inflation in the country is and offer potential solutions in the hope that perhaps in ten, fifteen, or twenty years we will have enough people who are familiar with the fact that central banking has its flaws, in hope that I can light the embers that could become the flame for change in this country.

TM: Can you talk about the Nigerian experience with inflation the last several years?

Let me put it this way: In 2015, a bag of rice used to cost between seven and eight thousand naira, depending on the quality of the rice you wanted to buy. In 2024, the same bag of rice costs about ninety thousand naira. That's more than ten times what it cost just nine years ago.

Apart from maybe salt, every other price has risen by at least 50 percent. Most things I buy personally have had their prices rise by 200–300 percent in just a couple of months.

The problem we're having now is that the government is blaming speculators. Recently, the Nigerian government detained Binance [a cryptocurrency company] executives because they said Binance is the reason why the local currency here is falling against the dollar and pretty much every other currency. They blamed cryptocurrency, and they blamed Binance.

The Nigerian government is trying to strong-arm the company into giving them the names of their Nigerian clients.

The government just keeps trying scheme after scheme to stop inflation, but none of it is working. The central bank is still intervening. It's still printing money. We have this weird thing here where the central bank actually has various intervention schemes. These are programs that are supposed to be done by the Ministry of Finance. The central bank has usurped some of these programs and in one instance, to alleviate poverty, has simply given away hundreds of thousands of naira.

There are also cultural consequences of inflation; people are getting worse off. People are turning to voodoo and kidnapping and all kinds of things just to be able to survive, to live.

As inflation rises, so does crime. Things are getting much worse. It's affecting the mindset of the people. It is a dangerous situation.

TM: With everything you are describing, are there any reasons for optimism that you have for the future of Nigeria?

People are desperate for answers. And so far, everything everyone else is saying hasn't worked. In Nigeria specifically, we don't have a Right-Left divide. Everything here is to the Left. We are all socialists in this place.

But Austrian economics is very easy to understand. It uses simple logic, and I think that's very appealing to people who are desperate for answers. If you combine all these factors together, certainly I believe that it's going to change minds, and I've already seen minds changing. I've witnessed it.

This last seminar I held at the university at the capital, one of the students called me and asked me to come back as many times as I could.

That one seminar was able to stir the fire in someone's heart, and he says he wants to hear more. He's gathering his friends and people at his university. It's working. If I do this in other parts of the country, as I intend to do, hopefully I'll get more people who are interested in the ideas. And maybe the people I've been working with, that I've been training, who are scattered across the country, they will go to those places I can't go to on my behalf and teach those people just as I'm doing with the people at the capital here.

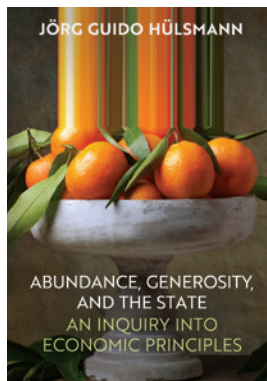
So I'm quite optimistic. ■



NOW AVAILABLE

Guido Hülsmann's highly anticipated book on how interventionism impacts the economy of gifts is now available.

Human action is usually driven by the desire to obtain more for less, and ideally something for nothing. This has sometimes been called the economic principle. The wish to "get free stuff" pervades all times and places, all sectors of the economy, all ages, and all social backgrounds. The very selfishness for which the market economy is often chided is, at bottom, a universal quest to obtain goods for free. Hülsmann sets out to explore the boundaries of this endeavor. He investigates the nature, forms, causes, and consequences of gratuitous goods and concludes that they thrive within a free economy.



Available for free at mises.org, and for purchase at the Mises Bookstore, and from Amazon.



The best things in life are free—and there are fewer of those things under the interventionist state.



Henry Hazlitt Research Fellow Jonathan Newman edited a three-part article series on the Federal Reserve by Murray Rothbard and published it as a booklet called *Taking Back Our Money*. Donors who support the Institute's forthcoming Federal Reserve documentary, *End the Fed*, will receive a free copy of the booklet.

Support the new documentary at mises.org/endfed.



MISES CLUB KENTUCKY LIBERTY AND WHY WE SHOULD DEFEND IT

The Mises Club Kentucky met for the first time in Georgetown on March 16. Thirty attendees gathered in a dinner club environment to listen to Wanjiru Njoya, research scholar at the Mises Institute, talk about the hopeful outlook for liberty.

Njoya centered her talk around Murray Rothbard's strategy for liberty, focusing on the reasons we should be optimistic despite the regime's serious threat to human flourishing. She stated that education is key to evaluating how much hope there is for liberty and that we must continually punch through the walls of statism to defend crucial strategies that foster free thought, such as homeschooling.

Njoya said that property rights are essential to a thriving civilization and are a precondition of prosperity. Attacks on property rights are therefore attacks on the prosperity of all human society. If we allow the decline of private property, she warned, there will only be further injustice.

We must have a moral passion for justice, but how do we know what is true? Human reason is the road that leads us to a firm support of justice, Njoya said, and that is how we must fight false ideas such as the diversity, equity, and inclusion dogma and critical race theory.

Thanks to David and Gretchen Wahlstedt for organizing this event.

For information about how to set up a Mises Club in your area, see mises.org/clubs.





THE MISES INSTITUTE: HOW CAPITALISM CAN SAVE AMERICA AGAIN

Mises Institute president **Tom DiLorenzo** appeared on *Tom Mullen Talks Freedom* on March 11 and discussed the Institute's mission, the abysmal economics of the two major political parties, and how capitalism can save America again.

You can listen to Tom's presentation at tommullentalksfreedom.com/podcast/158/.

SECESSION AND "NATIONAL DIVORCE" AT LIBERTYCON 2024

LibertyCon is the annual international conference presented by Students for Liberty. This year, Mises Institute Executive Editor **Ryan McMaken** was featured in the conference's plenary session on February 4. McMaken discussed the many benefits of radical decentralization, secession, and "national divorce." He noted that there is a rich history of promoting secession among libertarians and classical liberals from John Locke to Murray Rothbard.

McMaken, who is the author of *Breaking Away: The Case for Secession, Radical Decentralization, and Smaller Polities* (Mises institute, 2022), also provided an international look at secession and its expanding role in the global marketplace since 1945. Perhaps most importantly, McMaken explained why secession is critical in protecting what Ludwig von Mises called "the individual right of self-determination."

SECESSION, MILITIAS, AND THE SECOND AMENDMENT AT OKLAHOMA STATE UNIVERSITY

On March 14–15, Executive Editor Ryan McMaken presented two guest lectures at the Free Enterprise Society at Oklahoma State University.

The first lecture covered the history, scholarship, benefits, and global importance of secession. There was a follow-up discussion with graduate students the next day.

The second lecture covered the history of local and state militias in the United States. McMaken examined how the framers of the Second Amendment hoped that militias would decentralize and counterbalance federal military power. He also noted that this militia power was eventually co-opted and abolished by the federal government in the early twentieth century.

These presentations were recorded live and can be viewed on the Institute's YouTube channel (youtube.com/misesmedia).





SAMUEL H. BOSTAPH (1942–2023)

We were very sad to learn that Samuel H. Bostaph—“Sam” to his friends and colleagues—passed away on November 14, 2023, at the age of eighty-one. Sam was emeritus professor of economics at the University of Dallas and a longtime Associated Scholar and supporter of the Mises Institute. He was an excellent economist and a highly productive researcher. Sam presented papers at the Austrian Economics Research Conference and contributed numerous articles to the *Mises Wire* and the *Quarterly Journal of Austrian Economics*. In 2005 he received the Mises Institute’s Lawrence A. Fertig Prize for the scholarly article published in the previous two years that best advanced economic science in the Austrian School tradition. Sam was generous with his time, never refusing a request to serve the Institute by chairing a conference session or refereeing a scholarly article. He always conducted himself as a true gentleman and will be missed by all who knew him.

A list of his articles on mises.org can be found at mises.org/bostaph.



MAKE THE MOST OF YOUR GIFT

It is the mission of the Mises Institute to place human choice at the center of economic theory, to promote a revival of critical historical research, and to advance the Misesian tradition through the defense of the market economy, private property, sound money, and peaceful international relations while opposing government intervention as economically and socially destructive.

For this reason, the Mises Institute is solely funded by freedom-seeking people who reject the present course of interventionism and the politicization of our culture. Many of our Members say they support the Mises Institute specifically because of our unapologetic and consistent stance against tyranny.

Planning is important in all phases of our lives and no less in the gifts that are given to support our values. To learn more about how you can support the Mises Institute and ensure that the work of Ludwig von Mises will continue to impact the world, visit mises.org/legacy.

“Man’s striving after an improvement of the conditions of his existence impels him to action. Action requires planning and the decision which of various plans is the most advantageous.” —Ludwig von Mises

Visit mises.org/legacy or contact our Director of Development, Kristy Holmes, 334.321.2101.

“A man is free as far as he shapes his life according to his own plans.”

—Ludwig von Mises

UPCOMING EVENTS

CENSORSHIP AND OFFICIAL LIES: THE END OF TRUTH IN AMERICA?

April 13 | Lake Jackson, TX

RESEARCH FELLOWSHIPS 2024

May–August | Auburn, AL

HUMAN ACTION CONFERENCE 2024

May 16–18 | Auburn, AL

ROTHBARD GRADUATE SEMINAR 2024

June 9–14 | Auburn, AL

MISES UNIVERSITY 2024

July 28–August 3 | Auburn, AL

MISES CIRCLE IN ALBUQUERQUE LIVING FREE IN AN UNFREE WORLD

September 14 | Albuquerque, NM

SUPPORTERS SUMMIT 2024

October 10–12 | Hilton Head, SC

MISES CIRCLE IN FORT MYERS ELECTIONS AND THE ECONOMY: DO THEY REALLY MATTER?

November 9 | Fort Myers, FL

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