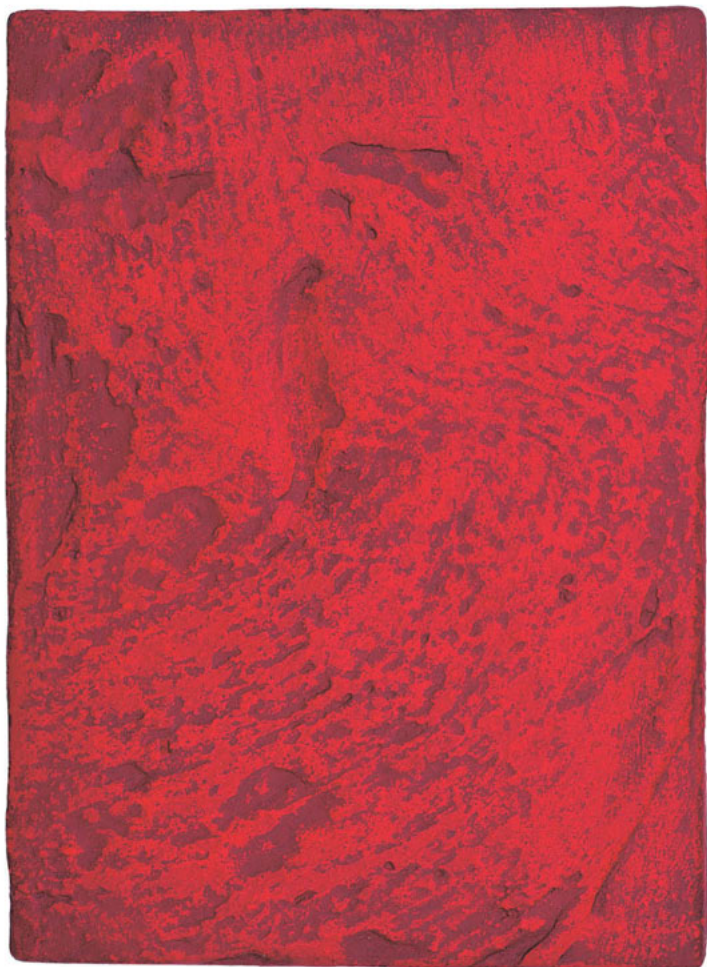


PROCESOS DE MERCADO

REVISTA EUROPEA DE ECONOMÍA POLÍTICA



Procesos de Mercado

Yeso y pigmentos sobre tela y madera

Julio Toquero, 2005

«Subyace en este cuadro una reflexión relativa al cambio, a la energía —acción vigorosa— y a la consciencia: realidades fundamentales en los procesos de mercado y en el arte».



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HIMNO

Dio, che nell'alma infondere
amor volesti e speme,
desio nel core accendere
tu dei di libertà.

Giuramo insiem di vivere
e di morire insieme.
In terra, in ciel
... congiungere ci può,
ci può la tua bontà.

Ah! Dio, che nell'alma infondere
amor volesti e speme,
desio nel core accendere
tu dei di libertà.

Dios, que has querido poner
en nuestra alma el amor y la esperanza,
debes alumbrar en nuestro corazón
el deseo de libertad.

Juramos juntos vivir
y morir juntos.
En la tierra, en el cielo
... reunirmos podrá,
podrá tu bondad.

¡Ah!, Dios, que has querido poner
en nuestra alma el amor y la esperanza,
debes alumbrar en nuestro corazón
el deseo de libertad.

Don Carlo (1884), GIUSEPPE VERDI
(Dúo de Don Carlo y Don Rodrigo,
final de la Escena Primera,
Acto Segundo)

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c/o Jesús Huerta de Soto
Universidad Rey Juan Carlos
Campus de Vicálvaro
Pº de los Artilleros, s/n
28032 MADRID
Tel.: 91 435 59 80 • Fax: 91 431 40 95
Correo: huertadesoto@dimasoft.es
Web: procesosdemercado.com

Unión Editorial, S.A.
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Sumario

Artículos

- **Jörg Guido Hülsmann:** *On the Renaissance of Socialism* 13
- **Pablo Yusta:** *La Escuela Austriaca y el Value Investing: Una Aproximación (II)*. 39
- **Manoela Dutra Macedo:** *Preferencia temporal: el enfoque de la Escuela Austriaca y un debate sobre el descuento hiperbólico* 69
- **Antonio Rojas Miranda:** *Limitaciones y oportunidades de la adaptación del modelo IS-LM*. 107
- **Pedro Schwartz:** *El legado de la Escuela de Salamanca* 149
- **Artur Marion Ceolin:** *Positivism and intrapreneurship: Austrian analysis and alternative* 227

Notas

- **Miguel Ángel Alonso Neira, Daniel José Gallego y Antonio Sánchez-Bayón:** *Card y Kruger (1994) y el progresismo intervencionista contra la teoría económica*. 253
- **Fabio Barbieri:** *Lachmann and the uses of Capital Theory* 281
- **Andreas Kramer:** *A Political Economy of COVID-19 measures* 307
- **Luca Moratal Roméu:** *La contribución de Angelo Panebianco al liberalismo italiano y al estudio de la Escuela Austriaca* 329
- **Juan Diego Peña Gil:** *El Estado y su relación con el poder* 345
- **Agustina Borella:** *Modelos y pattern predictions en Hayek* 363

Documentos

- **Friedrich A. Hayek:** *Un modelo de Constitución* 383

- **Ludwig von Mises:** *La crisis del intervencionismo* 411
- **Jesús Huerta de Soto:** *Review of the book Salazar: the dictator who refused to die, Tom Gallagher* 421
- **Sydney d'Agvilo:** *La educación en el mercado libre* 429
- **Víctor I. Espinosa:** *Ciberplanificación, propiedad privada y cálculo económico* 439

Reseñas bibliográficas

- **Jesús Huerta de Soto:** *Reseña del libro El libre mercado y sus enemigos: pseudociencia, socialismo e inflación de Ludwig von Mises («Biblioteca Austriaca», Unión Editorial, Madrid 2021, 142 pp.)* 465
- **Patrick Newman:** *Reseña del libro Economics in two lessons: Why markets work so well, and why they can fail so badly de John Quiggin (Princeton, New Jersey: Princeton University Press, 2019. XII + 390 páginas)* 467
- **Ludwig Van Den Hauwe:** *Review of The International Monetary System and the Theory of Monetary Systems by Pascal Salin (Northampton, Mass.: Edward Elgar, 2016, 261 pp.)*. 475
- **Pedro Almeida Jorge:** *Review of Dawn of Gold by Philip Barton* 481
- **José Carlos Martín de la Hoz:** *Reseña del libro La sociedad decadente. Cómo nos hemos convertido en víctimas de nuestro propio éxito de Ross Douthat (Ediciones Ariel, Barcelona 2021, 332 pp.)* 495
- **Cristóbal Matarán:** *Reseña del libro Desenmascarando la mentira keynesiana de Javier G. Milei* 497

Noticias

1. Se celebra en la Universidad Rey Juan Carlos la V *Annual Conference of Austrian Economics* 503
2. El profesor Leef H. Dierks imparte un seminario en la Universidad Rey Juan Carlos de Madrid 516

3. Se celebra el X Congreso Internacional sobre <i>La Escuela Austriaca de economía en el s. XXI</i> , organizado por la Fundación Bases	520
4. Mención al profesor Huerta de Soto en el diario económico <i>El Economista</i>	521
5. Presentado el documental <i>Ni es justicia ni es social: el sistema público de pensiones</i> producido por el profesor Huerta de Soto y Value School.	524
6. Se publican varios artículos del profesor Huerta de Soto como suplemento de la Revista <i>Avance</i>	526
7. Premios Nobel de Economía 2021 para David Card, Joshua D. Angrist y Guido W. Imbens	527
8. Fallece el economista Steven Horwitz.	528
9. El profesor Cristóbal Matarán publica un artículo sobre la Escuela Austriaca de Madrid en la Prestigiosa <i>Review of Austrian Economics</i>	529
10. Finaliza la decimocuarta edición del Máster en Economía de la Escuela Austriaca y se conceden los premios Mises, Hayek y Rothbard a tres brillantes alumnos.	530
11. Zanotti pronuncia un importante discurso sobre Benedicto XVI en la <i>Università de la Sapienza</i> (Roma)	531
12. Tras cuarenta años, el <i>Cato Journal</i> Cesa en su edición.	533
13. Call for papers para la <i>VI Annual Conference of Austrian Economics</i>	536
14. El profesor Philipp Bagus participa en la conferencia anual del <i>Ludwig von Mises Institut</i> (Alemania)	539
15. Fallece el filósofo libertario Antonio Escohotado (1941-2021)	540
16. El Centro Juan de Mariana (Venezuela) continúa con sus actividades.	541
17. Publicada la Edición china del libro <i>The Theory of Dynamic Efficiency</i>	547
18. Nuevas publicaciones de Unión Editorial	548
19. Marcelo Zappellini, discípulo del profesor Huerta de Soto, publica en Brasil un libro de texto sobre la escuela austriaca	550

20. Patrick Reimers, antiguo alumno del Máster en Economía de la Escuela Austriaca, publica un importante artículo en la prestigiosa Revista <i>Energies</i>	551
21. Se publica la versión china del artículo del profesor Huerta de Soto sobre los efectos económicos de la pandemia	553
22. Publicados dos artículos contra el cibercomunismo por parte de antiguos alumnos del Máster en Economía de la Escuela Austriaca	555
23. Ignacio Arellano publica un importante libro sobre el dinero.	558
24. Vicente Moreno, alumno del Máster en Economía de la Escuela Austriaca, publica sendos artículos en las prestigiosa <i>Review of Austrian Economics</i> e <i>Independent Review</i>	559
25. El Rector de la Universidad Rey Juan Carlos felicita al profesor del Máster en Economía de la Escuela Austriaca Dr. D. Antonio Martínez por su contribución a la innovación educativa y a la calidad de la educación.	561
26. El próximo número de la revista <i>Procesos de Mercado</i> será coordinado por el profesor Cristóbal Matarán como redactor-jefe sustituto	564
27. Fernando Nogales publica un importante libro sobre la educación pública.	565
28. El profesor Huerta de Soto, citado en el Congreso de los Diputados	566
29. El profesor Huerta de Soto publica, junto con otros colegas y discípulos de la Escuela Austriaca de Madrid, dos importantes artículos sobre los efectos económicos de la crisis del COVID-19, en dos revistas internacionales de gran prestigio, <i>Sustainability</i> y <i>Healthcare</i>	567
30. Traducido al rumano el artículo del profesor Huerta de Soto sobre los efectos económicos de la pandemia	570
31. La Feria del Libro de Madrid celebra su 80. ^a edición en el Parque del Retiro	571
<i>Sugerencias de nuevas lecturas</i>	573

Artículos

ON THE RENAISSANCE OF SOCIALISM

JÖRG GUIDO HÜLSMANN*

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Abstract: Thirty years ago, socialism seemed to be a closed chapter when the Soviet Union disintegrated. But it has recently made a comeback in the name of a Great Reset and other catchwords. In the present contribution, we study this renaissance from two points of view. In a first step, we reconsider Ludwig von Mises' famous book *Socialism*, in which he had presented a comprehensive critique of socialist plans one hundred years ago. In a second step, we highlight some of the institutional and intellectual factors that have prompted the renaissance of socialism in the past 30 years.

Keywords: Socialism; interventionism; Welfare State; Great Reset; Build Back Better; philanthropy; religion; Rathenau Delusion; Ludwig von Mises.

Classification JEL: P10; P16; P20; P21; P26; P50; D64; D70; D74; N30.

Resumen: Hace treinta años, parecía que se ponía punto y final al socialismo, debido al derrumbamiento de la Unión Soviética. Pero recientemente ha resurgido, en nombre del Gran Cambio y otros lemas. En el presente escrito analizaremos este renacimiento desde dos puntos de vista. Por un lado, retomaremos el célebre libro de Ludwig von Mises «*Socialismo*», en donde presenta una crítica sistemática de los planes socialistas de hace un siglo. Por otro lado, destacamos algunos de los hechos institucionales e intelectuales que provocaron el renacimiento del socialismo en los últimos treinta años.

Palabras clave: Socialismo; intervencionismo; estado de bienestar; Gran Cambio; reconstruir mejor; filantropía; religión; Confusión de Rathenau; Ludwig con Mises.

Clasificación JEL: P10; P16; P20; P21; P26; P50; D64; D70; D74; N30.

* The author is a professor of economics at the University of Angers (Granem research centre) and a Senior Fellow of the Mises Institute. The present paper is an extended version of an address given on 9 October 2021 to the annual meeting of the Mises Institut Deutschland.

1. Introduction

In early October 2021, Germans have celebrated the 31st anniversary of the reunification of their two states. In 1990, socialism seemed to be done for once and for all. For decades it had lagged behind economically. Its frustrated residents had attempted to flee to the West in their thousands or had chosen “inner emigration.” In the end, the socialist leadership, too, realised that they had reached a dead end. GORBACHEV, HONECKER & Co declared bankruptcy. Starting from 1990, the soviets and kolkhozes were liquidated. The spectre had gone.

In the West, too, it was now time to reform the public administration under the sign of the lean state. Indeed, the era of socialism had left its distinct mark on the West. Here, too, there were all sorts of centrally planned economic elements, such as the monetary system, the education system, the pension system, the health system, urban planning, etc. The West had emerged victorious from its struggle with soviet communism. *However, this was not because it had cultivated an especially pure form of libertarianism or capitalism, but because it had avoided totalitarianism.* Western interventionism was not as complete as that of the National Socialists. The centrally planned systems of the West were *partial* systems, and there had always been alternatives. It was (and to some extent fortunately still is) possible to exchange, learn, get medical help and prepare for retirement outside of the state systems.

Times have changed. Socialist plans have always swirled through world history. But in the last twenty years they have been seriously discussed, even outside of the academic fringes. Many leading politicians in the western world have toyed with socialist ideas. Some have campaigned for a comprehensive transformation of the current social, political, and economic landscape. The flirt with socialism is most visible in SCHWAB AND MALLERET’S (2020) outline of a Great Reset, in RAHMSTORF AND SCHELLNHUBER’S (2006) blueprint for global environmental policies, and in the Biden administration’s Build Back Better Plan (WHITE HOUSE 2021). Although these are fairly rough outlines, they take it for granted that top-down central planning of the economy is feasible and desirable. They may definitely be attempted. The current Covid-19 crisis has demonstrated how

quickly and thoroughly the traditionally free societies of the West may be transformed by small groups of determined and well-coordinated decision-makers. Top-down central planning of all aspects of human life is today not merely a theoretical possibility. It seems to be right around the corner.

In the present contribution, we will argue that the renaissance of central planning is an intellectual and practical dead end, for the reasons that Ludwig von Mises (1922) had presented one hundred years ago and which, to the present day, have not been refuted. But if Mises was right, then how can we explain the current renaissance of socialism as a political ideal? To some extent, this might be explained by the fact that new generations are likely to forget the lessons that were learned, often the hard way, by their ancestors. However, in the present case, there are also other issues at stake, which are of an institutional and cultural nature.

Accordingly, in what follows, we will first summarise the Misesian case against socialism and then proceed to discuss five factors that explain why socialism is today experiencing a renaissance, even though it had failed so miserably and obviously in the recent past.

2. The Refutation of Socialism

2.1. *The Nature of Socialism*

The essence of socialism in all its shades is the opposition to private property, especially to private property in the means of production. This comes from the peculiar objective that is common to all socialist varieties. *Each time the goal is to organise people according to a uniform plan and under uniform leadership, if necessary, against their will.* Whether this objective be reached on a regional, national or international level is comparatively secondary. Equally irrelevant is the concrete justification of the socialist transformation, whether it is moral, scientific, medical, legal, or economic. The decisive point is solely the *coercive* formation and formatting of social relations – the formation of *fiat* communities, *fiat* organisations and *fiat* societies. Everything and everyone should be subordinated to a single great goal. *That* is the spirit of socialism.

It is a totalitarian spirit. Hence the inevitable opposition of socialists of all stripes to private property. After all, the very purpose of private property is to enable different people to pursue *different* goals simultaneously and peacefully. Most notably, this also concerns *contradicting* goals – courting for the same lady, seeking the same appointment, the same client order, the same award.

The simultaneous and peaceful pursuit of different goals is usually called competition. Competition in all its shades is not the primary goal of the private-law system, but it is definitely a desired and desirable secondary consequence. Private property defines the limits within which each individual can pursue his own personal projects independently and also compete with others if he so wishes. Of course, this does not result in a fundamental contradiction to life in community and society. Private owners can freely share their property with others. They can team up with others for charitable purposes, for games and fun, or to make money. But the point is that this gathering and joining is *voluntary* and can therefore be refused at any time.

2.2. *The Political Situation After WWI*

The decisive work to refute socialism comes from the pen of Ludwig von Mises. The great Austrian economist published his book *Socialism* (1922) in a special historical context. Europe had been in the thralls of socialist agitation in Europe even since the revolutionary upheavals in 1848-49. From the beginning, this agitation was carried out in particular by the Marxists and by the Marxist-infiltrated trade unions. Soon this agitation found its way into the universities, especially into the Prussian schools of philosophy and of state science. In Prussia the so-called “socialists of the chair” set the tone. These professors abhorred economic policy under the sign of *laissez-faire* and advocated extensive state interventionism (RAICO 1999). Their students from North America spread this mindset on the other side of the Atlantic, creating the progressivist movement.

All these shades of socialism are united by one core idea: that central state control is required to solve all really important problems. The top-down principle of the central state is held to be

fundamentally superior to the bottom-up principle of individual freedom. This basic conviction asserted itself during WWI in the so-called “war economy” aka war socialism. It was not only desired by the military leadership, but also promoted by industrialists like Walter RATHENAU. From 1916 onwards, the military high command switched to making all major economic decisions centrally. The would-be efficiency gains were seen as decisive for the war (see BRIEFS 1923). Anyone who opposed the forced centralisation was in the best case ignorant, in the worst case a dangerous traitor. It is true that the war was ultimately lost, but in the eyes of the socialists of the chair this defeat came of course *not because of, but in spite of* central planning.

The revolution in Russia must also be seen in this context. It too was ultimately an expression of the new *zeitgeist*. And this *zeitgeist* consequently led to further (if short-lived) Bolshevik upheavals in Hungary and Munich in the immediate post-war period. Similar coups were made in Italy and Austria.

In Austria, the coup failed not least of all because of MISES (see HÜLSMANN 2007, pp. 331-334).

2.3. *Studies on Socialism and Interventionism*

MISES was not a party leader. He had no political power. But he attacked the socialists where they had least expected it: in the field of ideas. In the dark days of the early post-war period, when coal was scarce and people froze in Austria, MISES shook the self-confidence of the socialist leadership and its followers.

He refuted the view that the centrally planned economy was favourable to warfare. In his book *Nation, State, and Economy* (1919) he showed that the competition of the free market is the better form of economy not only under conditions of peace, but also in war. MISES argued that *especially* in war it is necessary to avoid waste and to produce quickly and efficiently. But free competition does this much better than cumbersome central planning. MISES knew this not only from theoretical considerations, but also from his own experience as a front officer.

A year later he followed up. In an essay on “Economic Calculation in the Socialist Commonwealth,” MISES argued that central

planners could not possibly keep the promises they make. The planning of comprehensive production projects, the systematic design of a division of labour between millions of people, requires that means and ends can be put into a reasonable relationship. It assumes that it is possible to *compare* different options in relevant economic terms. But such comparisons presuppose a common and relevant arithmetic unit. In the market economy, money prices are used. In socialism, however, there can be no money prices. At least there can be no money prices for factors of production.

Indeed, the socialist economic system is *defined by* the absence of private ownership of production factors. All machines, vehicles, roads, rails, raw materials, etc. belong to the collective and are managed centrally by state organs. But if there is no private ownership of these goods, then they cannot be exchanged for money in the market either. Hence, there are no money prices for factors of production.

In socialism there is also no other relevant unit of account that could take the place of money units. It is for example impossible to make relevant calculations in terms of working hours. Indeed, "human labour" is not a homogeneous good (like money), and the value of products depends not only on labour but also on raw materials.

It therefore turns out that rational socialism is a mirage. The centralised economy *appears* to be more efficient than the decentralised market, but in reality it is exactly the other way round. Socialist economic activity is like sailing without a compass, like communication without language. The central planners grew up in a market economy and therefore recklessly assume that all the advantages of the market economy would "somehow" continue to exist even under socialism. But exactly this idea is wrong.

Two years later, Mises dealt a third and decisive blow to socialist illusions. In the nearly 500 pages of his treatise on socialism, he discussed all the major problem areas of socialist theory. He showed that the socialists had not only completely ignored the problem of economic accounting. They also neglected the problems of international economic relations, especially migration and capital allocation, and they also glossed over the central problem of the painfulness of work. In the market economy, people go to work not least because they have incentives through wages and competition to overcome

their unwillingness anew every day. But in socialism there are neither wages nor competition. So how is the problem solved? By wishful thinking! Under socialism, all labourers would work “for themselves” and would therefore walk happily and cheerfully to the workbench and the assembly line day after day.

MISES also points out that the socialists have wrongly assumed that capitalism necessarily tends to monopoly and that the free-market economy would automatically (“by natural law”) morph into socialism.

But he not only discusses the economic consequences of socialism, but also its consequences for the development of society as a whole, for the relationship between men and women, for art and science. He likewise dissects the moral claims of the socialists and their moral objections to the market economy.

Space limitations oblige us to refer to previous work, in which we have discussed MISES’ work in more detail (HÜLSMANN 2007, especially chap. 11). Here we merely wish to emphasise that, starting from the 1920s, MISES had dealt in detail with the question of whether and to what extent a third way would be possible. Is there an alternative to capitalism and socialism? Can the state limit itself to intervening selectively in the economy so that all the disadvantages of socialism can be avoided?

2.4. *The Search for the Third Way*

MISES’ (1929) position on interventionism can be summarised in three closely related propositions:

- 1) Just as in the case of socialism, interventionism cannot keep its promises. By its very essence it is unsuitable to reach its self-chosen goals. Ultimately, this is due to the fact that interventionism does not mean *comprehensive* control of private owners, but allows them a certain degree of freedom. The owners use this freedom to evade state interference. They leave the regulated industries and, if necessary, they leave the country, too. The rules and prohibitions of the state are thus ineffective and do not achieve their goal.

- 2) There is therefore a need for the state to “improve” again and again by obstructing the evasive manoeuvres of private owners with even more far-reaching steps; or by paying (bribing) them, on the contrary, to *not* evade previous harassment. But for the same reasons, these interventions cannot bring about a satisfactory solution either. The increasing control ultimately leads to the fact that no more private capital is invested at all. Bribery of entrepreneurs leads to corruption, irresponsibility and waste. Every state intervention thus always leads to further state intervention. A snowball-like spiral of intervention develops.
- 3) In the *long run*, there is no middle way, no “third way.” Sooner or later interventionism leads to socialism. The citizens therefore have to choose between capitalism and socialism. Anyone who wants to avoid or postpone this decision here and now, who wants to bypass the decision with selective state interventions, ultimately opts for socialism. Because his decision only means that there will be no *explicit and desired introduction* of the socialist economic system. But socialism is still being introduced, as it were through the back door, as an unwanted consequence of ever more numerous punctual interventions.

This insight into the dynamic consequences of state interventions is of great importance even today. Because today we are in the days of the long-term consequences of Western interventionism. Today socialism is once again seen by many young people as an ideal to strive for. Socialist policies are practiced again, even if not directly under the flag of socialism. The internationally concerted Covid policy has made it clear to us how far the efforts towards central and totalitarian political control at the world level have already progressed.

3. Driving Forces of Today’s Socialism

First of all, we should emphasise again that Soviet Socialism had left its mark on the West, too. As an alternative overall design for

the design of economy and society, it had existed until his last breath, i.e., until the dramatic turning point of 1989-1991. In the West, too, there were always numerous supporters of socialism. The political struggles between freedom-loving and socialist citizens led to ever new compromises, which were reflected in numerous *partial* socialisms. More and more "systems" were brought into being, with which the planned economy was introduced on a small scale and with which the future introduction of a large overall plan was prepared. The main examples are the monetary system, the education system, the pension system, and the health system.

But how and why was socialism still able to assert itself *after* 1991? How did it survive the collapse of the Soviet Union? How could it rise from the ashes like a phoenix just thirty years later? How is it, for example, that two thirds of all young British people today express (NIEMITZ 2021) that they would like to live in a socialist system?

Conceivably, this renaissance might be propelled by new insights. Mises and others had refuted socialism, but no scientific theory is writ into stone. New evidence might have appeared and new theoreticians might have demonstrated the logical or empirical flaws in the Misesian case against socialism. However, nothing of this sort has happened. MISES' arguments have not been refuted. They stand as solid as in 1922. And today's socialists do not advocate their case with any new arguments. They profess more or less exactly the same ideas and slogans as their forebears one hundred years ago.

The roots of today's renaissance of socialism must therefore be elsewhere. In what follows, we will discuss five factors that had some importance in this development: state organisations, private foundations, the accumulation of state intervention, wrong ideas, and the decline of Christianity.

3.1. *State Apparatuses*

An important driving force of the socialist renaissance was the constant growth of state organisations. This includes all organisations that are largely financed by the state or thanks to state violence. For example, the so-called public service media are state

organisations in our sense. In contrast, the so-called “social networks” are mixed forms. It is true that they have received significant state support (for their establishment and for the expansion of the Internet infrastructure). But they are also financed through advertising and have not yet had a coercive nature.

Socialism is growing out of the already existing state organisations. The crucial importance of this connection has been emphasised again and again by liberal and conservative theorists. Shortly after the collapse of the Soviet Union, it was expressed again by David FRUM (1994) when he modified a *bon mot* from then President CLINTON: “It’s Big Government, Stupid!”. Many other economists, historians, sociologists and political scientists have concurred (see especially Murray ROTHBARD 1974, Dennis O’KEEFE 1999, Robert HIGGS 1987, 2004, 2012, Sean GABB 2007, Hans-Hermann HOPPE 2012 and Paul GOTTFRIED 2016).

A ministry, an authority, or a state-subsidised television station do not fully belong to the competitive life of ordinary society. Special rules apply. They are funded by taxes and other compulsory contributions. They are literally living at the expense of others. This has two important consequences for the renaissance of socialism.

On the one hand, state organisations are constantly forced to justify their privileged existence and therefore have a special need for intellectual input. Good cobblers and good bakers do not need to convince their customers with verbose theories. Their services speak for themselves. But creating and maintaining a government monetary system or a government pension system requires constant torrent of words to pacify grumpy taxpayers, retirees, and money users.

On the other hand, these intellectual suppliers typically have a personal agenda. State organisations are irresistible points of attraction for *ideological* do-gooders of all stripes. This becomes clear as soon as we realise what doing good things *really* means.

Every day private companies and private non-profit organisations create new products and new services – thousands of small improvements. But these achievements fit into the existing social network. They are *contributions* that take into account the objectives and individual sensitivities of all other people. They thrive in competition. By contrast, the ideological do-gooder does *not* want

to care about the sensitivities of other people. But that is only possible if his own income does not depend on those others, and if his plans can also be carried out against the will of the others. Yet that is exactly what the state, especially the *republican* state, enables him to do.

From the classical liberal point of view, the republican state should not pursue its own agenda. It should not be private, but public, should only provide the framework for free social interaction. But this theory hurts itself against the *horror vacui*. Ownerless goods will sooner or later be homesteaded by someone. Even an abandoned “public” state will sooner or later be taken into possession. History over the past two hundred years shows that this privatisation of the public state does not necessarily have to occur by coup or conquest. It can also grow out of the bosom of the state itself. The domestic staff, the servants of the state, can make themselves its masters (BENDA 1927, LASCH 1994).

Abandoned goods are a magical attraction for people. An abandoned state magically attracts ideological do-gooders into the civil service. They are trying to privatise public space, to transform it into an instrument for their agenda. At first there may not be a consensus among them, but at some point the best organised and networked groups gain the upper hand. The sociologist Robert MICHELS (1910) called this mechanism *the iron law of the oligarchy*.

The bureaucratic oligarchy can influence personnel decisions in terms of its ideology. Their ministry becomes “their” ministry (or their school, university, broadcasting service, etc.). It becomes an ideological state apparatus in the sense of Louis ALTHUSSER (1976), because through advertising orders to the private sector, through commands and prohibitions to companies and households, it can now also convey its ideology to the outside world.

Notice that the bureaucratic oligarchy is only a small minority. *This explains why the oligarch ideology is typically a socialist ideology*. Only where there is private property is it possible for a minority to undertake anything that other people displease or might displease. But the oligarchs of a republican state cannot assert property rights. The state does not belong to them – they just control it. But in order to be able to direct it *inexpensively*, they must avoid that the majority resist them. The easiest way to do

this is through a socialist ideology. Slogans like “we govern ourselves” cover up the real power relations.

A classic case is the French Ministry of Education, which was appropriated by a coalition of communists and Christian democrats after the Second World War. In those years, the professors Paul LANGEVIN and Henri WALLON (both members of the communist party) pursued a strategy of centralising and homogenising all secondary schools, along with a dumbing down of the entry requirements (GIRAULT 2002, CLAVEL 2012, VIGUERIE 2016). With the help of their allies, they slowly, but steadily filled all key positions of the Ministry with their people while greatly expanding it. Thus, they made “their” ministry resistant to reform. No bourgeois minister has ever dared to make it “public” again. So it has remained in the communist inheritance to this day. The supposed servants of the commonwealth became the real rulers, against whom the elected representatives bite their teeth.

This does not only apply to the French Ministry of Education. The same tendency is at work in all public institutions in all countries. President TRUMP had not understood this before his 2016 election. He is probably wiser now, but the problem remains.

A state apparatus is often the first place where socialist reforms are implemented. In the past, state organisations have served as a laboratory for expensive socialist labour-law reforms (quotas for civil servants, vacation regulations, etc.), for the typically socialist control of language (political correctness) and for harmonising thought and action.

Over the past thirty years, *international* bureaucracies have played a growing role in making the world a better place for socialism. Intergovernmental organisations such as the EU, UN, WHO, IMF etc. have always served as reservoirs for intelligent radicals who found no place in national politics. But the influence of these people has grown considerably in recent years as they have played a key role in covering up interventionist failures.

This can be explained as follows: The state, which rules over the media and education, can gloss over and talk away its failure. But talk does not help when people see with their own eyes how things are abroad. The competition of political alternatives is a ruthless comparison, and it shows time and time again that socialism and

interventionism do not work. Hence the urge of all socialists to rule out all alternatives as far as possible from the outset. So-called “international cooperation” and the abolition of the nation state in favour of international organisations serve the same purpose. By proceeding as uniformly as possible, it may be avoided that the population might think that there are political alternatives and perhaps even *better* alternatives.

The importance of the secret services cannot be overstated either (see for example ARKIN 2021 and). For the reasons already mentioned, they have the same socialist tendencies that we can see in all other bureaucracies. In addition, however, there is the cloak of secrecy, which is particularly favourable for socialist agitation, especially as long as the socialists are still a social minority. In addition, secret services have, in some cases, very substantial funds that are practically not subject to any public control.

3.2. *Ownerless Foundations*

The same applies to the large private law foundations (Rockefeller, Ford, Bertelsmann, Gates, etc.). Although these organisations are usually not themselves financed by taxpayers’ money, the US foundations in particular have made decisive contributions to the renaissance of socialism, for three main reasons.

First, the executives of such institutions are in constant search of self-affirmation and self-justification, and are therefore prone to activism.

The self-justification of a foundation is particularly necessary if the statutes do not provide for a clear foundation purpose. The large US foundations serve general goals such as “progress” or “humanity”. Words of this kind must of course be filled with concrete content, and this is where the ideological suppliers come into play again, just as in the case of the state bureaucracies.

Ideological do-gooders find an ideal playground in the large private foundations, especially when the founders let the supposed “experts” run free and entrust them with the management of their assets without any strings attached. The executives of such ownerless foundations are then subject to even *fewer* restrictions

than their colleagues in government offices. While the high officials are still responsible to the elected political leadership (even if this responsibility is small for the reasons mentioned above), the directors and supervisory boards of the private foundations are among themselves. Nobody gets in their way – nobody they have not themselves accepted into their illustrious circle. Ownerless private foundations will therefore sooner or later serve those ideologies that are highly valued by the leading experts. As with state institutions, there may be temporary rivalries among the leading forces. In the end, however, the best organised and networked groups prevail with regularity. From now on, *their* ideas determine the foundation behaviour.

These ideas are often diametrically opposed to those of the founders (FERGUSON 2021). In my opinion, the most important reason for this contrast is to be seen in the fact that the founders no longer have to prove themselves and reject excessive activism on the part of their foundation for other reasons as well. They know the importance of free competition. They know that excessive donations from foundation money can seduce the recipients into laziness and frivolity. They want to help others. But above all they want these others to know how to help themselves.

Things are completely different in the case of the supposed experts who run the foundations. In contrast to the donors, they have not yet been able to show that they can achieve great things themselves. The decision-making power over the foundation now gives them the opportunity to put their stamp on the world. This temptation is just too great for most. Those who have large resources at their disposal can make it their business to improve the world according to their taste.

The history of the US foundation system provides numerous and well-documented cases of this tendency (NIELSEN 2017). The largest American foundations of the 20th century (Ford and Rockefeller) in particular committed themselves to *changing* American society in the 1950s and 1960s (MAC DONALD 1996, FINN 1998). Such activism is more or less inevitable if you give free rein to ideological do-gooders and along with well-filled treasure chests.

Second, the cooperation between private foundations and state organisations has a very similar effect. Such cooperation means

concretely the joint pursuit of the same goals, the pooling of private and state funds and the exchange of personnel. The private foundations thus come into the ideological orbit of the state institutions (MISES 1997 [1944]); and state institutions are captured by the “managerial” spirit (GOTTFRIED 2001) of private foundations.

The private foundations like the partnership of the state for reasons of prestige and to “leverage” their own activities. One example among many: The Ford Foundation had already developed the basic principles of what would later become the American welfare state in the 1950s and financed them on a small scale. But the means were lacking for large-scale application. Things changed when US President Johnson took over the Ford model and used taxpayer money to introduce it across the country.

This partnership is also very welcome to the state, because its bureaucrats also feel confirmed by the friendly response and the active support from the Potemkin-style world of “civil society” financed by foundation funds.

Third, the combination of grandiose objectives and enormous financial resources entails the tendency to pursue large and highly visible projects. (The same tendency exists for *cost reasons*. For a private foundation it is usually cheaper to finance a few large projects than thousands of small initiatives.) In any case, these large projects must be planned for the long term and centrally managed. The management of large foundations is therefore typically associated with a perspective on the economy and society that is very similar to that of a central planning committee. The case of other large companies is very similar.

In this way, the executives of large organisations can succumb to a special kind of delusion, which we propose to call the *Rathenau Delusion*, in honour of the great German industrialist who flirted with the socialist planned economy at the beginning of the 20th century. The Rathenau Delusion consists in seeing only a *gradual* difference between the private planning of very large companies and the centrally planned economy of entire national economies. In fact, there is a *categorical* difference here. Rational economic planning always takes place *within* an order based on private property and money exchange. It is this order that orientates the numerous individual plans and coordinates them with

one another. Ludwig von Mises taught us that the rationality of economic activity is always and everywhere rooted in a *microeconomic* perspective and *presupposes* the social order under private law. By contrast, the basic socialist idea consists precisely in abolishing this superordinate order and replacing it with a head birth. But whoever does this, saws off the branch on which he is sitting. Instead of making rational economic activity easier, he makes it impossible. This is exactly what Mises proved a hundred years ago.

For the past seventy years, the major US private foundations have been the main drivers of socialism, even more so than the state bureaucracies. Something similar can be said on this side of the Atlantic about the Bertelsmann Foundation and other German foundations. They also saw with great relish on the capitalist branch that carries us all.

3.3. *Socialism as an Unintended Consequence of Cumulative State Interventions*

Above we have pointed out that Ludwig von Mises had already dissected the internal logic of state intervention in the 1920s. He demonstrated that every intervention has unintended consequences, so that the state feels compelled to keep on “improving” until finally the entire economy is subject to a tight network of do’s and don’ts. That is socialism through the interventionist back door.

We only want to single out the most important example here: interventions in the monetary order. Since the earliest times of mankind, the authorities have tried to find a reliable source of finance by bringing money production under their control. Through the artificial expansion of the money supply (“inflation”) they wished to obtain greater resources. In Antiquity and in the Middle Ages, inflation policy was carried out through the depreciation of precious-metal coins. In modern times it has been carried out with the help of banks (HÜLSMANN 2008). Today all states have a central bank that produces immaterial money. This money can in principle be produced in unlimited amounts. The law sets certain limits, but these legal requirements can easily be changed or abolished if necessary.

Inflation policy is only possible if the citizens do not have the opportunity to use alternative, more stable types of money. Accordingly, the state has to intervene more and more to ensure that no competitor endangers the state monopoly. But further intervention is also essential because inflationary policy seduces its beneficiaries into carelessness. This primarily affects commercial banks and their large customers. Thanks to the printing press, they can get almost unlimited amounts of subsidised credit, and in times of crisis they can sell their bad securities to the central banks. All profits end up in their own accounts, while the costs of the crisis policy are passed on to the other money users.

This tempts the banks to make particularly risky and therefore profitable investments. This in turn puts the central banks in an increasingly difficult position to save the commercial banks by creating more money. The consequence would be an ever faster decline in the value of money, up to and including hyperinflation. Further interventions are necessary to prevent this risk. The state prescribes the banks when and how and to whom and under what conditions they are *not* allowed to grant loans. But the banks are finding ways and means to get around these bans. The state improves, the banks give way again, etc. etc. This game of cat and mouse ends with the entire banking industry caught in a dense undergrowth of rules.

But the game does not yet stop. *Other* market participants can do bank-like transactions (shadow banks) and other investors can also get into high debt and speculate that they are “systemically important” – i.e., so large that their insolvency would force the central banks to act. So here, too, further regulations have to be improved, with the same tendency already described by Ludwig von Mises: socialism through the back door.

Monetary interventions are also paramount importance not least of all because they lead to a tremendous redistribution of income and wealth (HÜLSMANN 2013, 2014; DOROBAT 2015). The printing press opens all doors to financial jugglers, while the savings of ordinary workers will be destroyed by constant price inflation. Nothing has contributed more to the rejection of would-be “capitalism” than these downright absurd shifts in income and wealth.

Now it is the case that in the USA, in particular, many rich people donate large parts of their money to philanthropic foundations. But as we have already seen, this has more than often turned a buck into a gardener. Those excessive fortunes sooner or later fed the campaigning of the caviar socialists.

Central bank interventionism is thus a gravedigger of capitalism in three respects: by weakening the competitive market process; by inducing arbitrary inequalities; and by artificially creating large fortunes that end up in the hands of socialists.

3.4. *Socialism as a Consequence of Wrong Ideas*

So far, we have highlighted the institutional reasons for the return of socialism. Socialism does not necessarily have to be introduced in one fell swoop by a large political movement. It can also spontaneously break his own path without being expressly requested. It can arise from the hidden privatisation of state institutions. It can be promoted through the campaigns of financially strong foundations. And it can also be the end point of an interventionist spiral.

In connection with these institutional reasons, the influence of wrong ideas should not be underestimated. We have already seen that state institutions and ownerless private foundations need “ideological suppliers” to justify their existence and their actions. Indeed, ideas are the ultimate driving forces of human action. In order to act, a person needs an idea of what is, as well as of what ought to be.

Now what is meant by a “wrong idea”? We need to distinguish two types of falsehood.

The first one is logical self-contradiction. It is found in the idea of a square circle, a just crime, beautiful hideousness, enriching waste, etc. In economic literature there are a number of ideas which are wrong in this way. Just think of the popular idea that total economic output in the long run depends on the amount of consumer spending! The thesis of the rationality of socialism is also logically wrong in this sense. It is not *obviously* wrong, to be sure, but turns out to be a logical mistake after some thought.

But there is also a second type of falsehood, which consists in misunderstanding the *conditions* under which an idea is right or can be right. Many of the ideas that have fuelled the return of socialism in the past thirty years are false ideas in this second sense. They are not wrong in and of themselves, but become so when they are recommended without moderation, without measure and centre.

The best example is socialism itself. There are numerous human associations that are or can be based on common or communal property. Think of marital communities that have the legal form of a community of gains. Think of monasteries or kibbutzim. No true liberal will oppose socialism in this sense. After all, voluntary communities are legitimate parts of the free and competitive social order. But *coercive* socialism (socialism in the proper sense of the word) is a completely different animal, as Ludwig von Mises has already pointed out. Such socialism does not tolerate deviation. It demands absolute priority for himself over all other objectives, and it wants to assert this priority with the help of state authority.

The mistake here is to *exaggerate a single idea and set it as an absolute goal* to which all other goals would have to be subordinated *by force*. This is commonly called an ideology. Now, interestingly, almost all ideologues play down this use of force. They typically dismiss it as a mere question of administrative technique. In their eyes, it means only a gradual, but not a categorical difference to competitive problem solutions. We found exactly this mistake in the case of the Rathenau Delusion, which is a special kind of ideological delusion, indeed.

Every error sooner or later turns reveals itself in failure. For the reasons already mentioned by Mises, state interventions again and again bring about the opposite of what they were intended to achieve. Forced socialism is no exception. It is just not a technique of socialisation. It alienates people from one another and creates a bunch of egoists who in the end are only held together by the knuckle of the state

Once you have understood the principle that is here at stake, you will have no difficulty in recognising analogous errors. Whether egalitarianism or centralisation, whether democracy or feminism, whether "open society" or eugenics, whether health or

environmental protection – an idea that contains an element of truth always becomes wrong because it is misused to justify state power. Indeed, by being so abused, it goes against the liberal order and thereby gets out of hand.

The great CHESTERTON (1909, p. 51) is often quoted with these stunning words, which fit right into our present theme: “The modern world is full of old Christian virtues that have gone mad. The virtues have gone mad because they have been isolated from one another and are now wandering around alone.” This prompts us to comment: The modern world is the world of interventionism. It is this interventionism that alienates not only all virtues but also all good ideas from one another. Because it is this interventionism that brings them into opposition to the liberal order; which thereby makes them lose measure and centre. Every virtue and every good idea require exactly this order in order to be brought into a harmonious interplay with all other virtues and ideas.

Let us also notice that the spread of wrong ideas is not necessarily due to ignorance or stupidity. Malice and deception can also be at stake. MARX, ENGELS, and their disciples knew very well that interventionism was inappropriate. But in the *Communist Manifesto* and many other writings, they have repeatedly called for state intervention. They did this not *in spite of*, but *precisely because* they were inappropriate. Since failure was inevitable, more and more interventions would likely seem to be necessary – up to and including complete socialism.

3.5. *Socialism as a Rejection of God*

In conclusion, let us point out another important reason for the renaissance of socialism, namely the decline of the Christian faith. Religion is a very practical thing after all. The ideas that we have of the origin of man, of his being and of his ultimate destiny are of the greatest importance for our daily striving and doing. They orient us in the here and now. They drive us now and paralyse us then. And they are religious. They *cannot* be taken from science, at least not from science, which knows its own limits.

It is immediately clear that any faith in the scriptures of the Old Testament decisively shapes our attitude towards nature and other people. It is one thing to perceive in a mountain or a meadow or a sheep creatures of God; and another thing to see here interesting mole piles, which are slightly defective and in need of improvement. It is one thing to recognise in one's neighbour an image of God; and another thing to suspect that he is solely a highly developed mammal.

And just as practical is our faith in the Good News of the New Testament. For that is news from the God who calls out to us again and again through all times: "Do not be afraid!" (Isa. 10:24; Jer. 10:5; Jer. 46:28; Mt. 10:26; Mt 17: 7; Mt 28:10; Mk 6:50). What a contrast to the modern state, which is based on fear through and through and rules with fear! (HIGGS 2005)

The Christian God is the God who has chosen a manger as the first earthly throne and from there begins to save the world. But how is he pursuing this colossal goal? Not with a jolt, not with overwhelming power, not with a glaring glow, without crushing all resistance, without powerful allies. Christ proceeds slowly, albeit with a steady step. He renounces any economic and political power. It works through personal encounter, through attention, listening, trust, and forgiveness. He leads the destinies of humanity, but leads like a good shepherd. He humbles himself, takes on the form of the creature himself, extends his hand to us, serves us, and sacrifices himself with body and life. He is the triune God who holds before our eyes the very ideal of a love community without rulers.

Turning away from this God involves various reorientations. Whoever cannot trust God almighty, whoever only wants to see blind evolution instead of willed creation, will deal with other people and the world differently than the believing Christian. Since he does not believe that the world is well planned and well established by a superior intelligence, since he knows and recognises only his own intelligence, he will see problems everywhere that can only be solved by human intervention. He will strive to bring under his control all factors that can determine the success of his actions. His ideal is mechanical technology that gives him the desired results at the push of a button.

He strives for the same mechanics in relation to other people. Here, too, he designs machines, which he calls systems. Other people are only means to him for his own ends. He seeks to lead these others, yet not by example, service and sacrifice; but by command, coercion and terror. He seeks political power. He is interested in the human and social sciences insofar as they enable and facilitate the calculation and manipulation of other people. Words like love, sacrifice, justice, honour, dignity and leisure are just chatter in his ears.

The state of mind that we perceive here has been known since ancient times. In the theological and philosophical literature, it is called Gnosticism. The German-American political scientist Eric VOEGELIN (1999) has argued in numerous writings that all political movements of modern times are at their core neo-gnostic movements (see BURFEIND 2014 for the case of the US). The mainsprings of socialism that we have discussed above receive from this source a good part of their strength and orientation.

4. Conclusions

Socialism in all its shades is a political, economic, societal and cultural impasse. It does not build anything, but only destroys what has been created by older cultures and, in the West, by Christian culture. Today's renaissance of socialism is no exception. It too does not arise from any creative act or new knowledge. It is in part a late consequence of the totalitarian socialist systems of the 20th century. Above all, however, it is the fruit of those five forces that we have just described in more detail: growth of state organisations, owner-less private foundations, spirals of intervention, false ideas, and the decline of Christianity.

What can be done to stop it? Two strategies seem to be particularly expedient.

One, all donors have to reconsider and think carefully about whom they entrust their money to and for what purposes. They should not simply abandon their savings, but use them responsibly to the best of their ability. We have not yet reached totalitarian socialism. So let us use the remaining freedom to reform

wherever possible and to build up competitive offers in education, currency and politics.

Two, liberal and conservative politicians must finally drain the source of socialism. They must no longer waste their energy on supposed reforms of the ideological state organisations, but drastically curtail them and, if necessary, *abolish* them entirely. He who really wants to get rid of socialism has to turn off its money. Sean GABB (2007) made some good points on this a few years ago. The basic idea is very simple. But it will not succeed without inner strength, without real conviction, and without love for others.

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