FROM THE GREAT RECESSION TO THE GREAT LOCKDOWN: A MULTIDISCIPLINARY APPROACH*

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Resumen: Durante la emergencia sanitaria que azotó al mundo a finales de 2019, con la excusa de frenar el contagio y «aplanar la curva», dos objetivos muy difíciles de definir y fáciles de abusar; los gobiernos emprendieron un conjunto de políticas represivas que, si bien en el plano económico han tenido profundos efectos sobre la división internacional del trabajo, las cadenas de suministro y la producción; en el plano político-jurídico vaciaron aún más la sustancia de lo poco que quedaba de la herencia occidental, clásica-liberal. En su lugar parece haberse instituido una nueva forma de despotismo oriental. Estos episodios se abordan desde diferentes ángulos y se entienden como parte integrante de una formulación de políticas públicas que surgió a principios de la década de 2000 y especialmente con el desarrollo de la Gran Recesión (2008-2009). Esta última acabó abriendo la caja de pandora, ya que las emergencias, reales o imaginarias, se consideraron a partir de entonces, no como posibilidades excepcionales, sino como necesidades recurrentes, dado el objetivo general de establecer una «revolución permanente».

Palabras Claves: emergencias, pandemia, gran recesión, políticas monetarias no convencionales, estatismo

Clasificación JEL: E14, E52, N13, P16, P41

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Abstract: During the healthcare emergency that struck the world at the end of 2019, with the excuse of slowing the contagion and "flattening the curve", governments engaged in a set of repressive policies that, if on the economic level have had deep, negative effects on the international division of labor, supply chains and production, on a political-juridical level further emptied the substance of the little that was remaining of the western, classical-liberal heritage. In its place a new form of "oriental despotism" was instituted. These episodes are tackled from different angles and understood as part and parcel of a public policy formulation that emerged during the early 2000's and especially with the unfolding of the Great Recession (2008-2009). The latter ended up opening a pandora's box as emergencies, whether real or imagined, were from then on seen, not as exceptional possibilities, but as recurring necessities given the overarching goal of instituting a "permanent revolution".

Key Words: emergencies, pandemic, great recession, unconventional monetary policies, statism

JEL Classification: E14, E52, N13, P16, P41

Introduction

The Covid 19 pandemic has been a watershed. Not only has it changed our way of life, but our very way of being. It also had devastating effects on the economies of the western world. The public policies that arose on the wave of the healthcare emergency (generalized lockdowns, arbitrary closures, curfews, interruption of the division of labor, ultra-lax monetary and fiscal policies) have strengthened those unconventional measures (uncontrolled deficit spending, *quantitative easing*, negative interest rates, *credit easing*, *forward guidance* etc.) already implemented by governments in the aftermath of the Great Recession of 2008.

A study of the most recent developments cannot avoid an analysis of the major events of the last decade, which led, in terms of economic and monetary policy, to the current situation. This analysis, in fact, offers us a compass with which to navigate recent history. Although the social scientist must avoid historicizing past events, for this would mean emptying history itself of meaning, in order to go from "gained cognition" to the "understanding" of phenomena,[1] he must always be able to contextualize them, trace their causal relations and assign their relevance in the succession of events.[2] *Historia non facit saltus* and *verum scire est scire per causas*, as Aristotle and the Greek philosophers have taught us.

In this sense, therefore, the social scientist who approaches historical phenomena cannot do away with praxeology, the formal study of human action via verbal, axiomatic-deductive reasoning.[3] As the founder of the Austrian School, Carl Menger, wrote in his *Untersuchungen*, while a distinction can and must be made between theoretical and historical sciences, no real historical acquisition beyond the most immediate observation can be had without investigating and determining "the empirical forms and laws (the general nature and general connection) of economic phenomena".[4] For this reason, Ludwig von Mises, at a time in which the social and moral sciences (*Geisteswissenschaften*) were dominated on the one hand by the empiricists and on the other by the institutionalists, stressed: "History can never really be history without the intellectual tools provided by the theory of human action. History must

[1] These two concepts combined form the goal of scientific research in the social sciences. Their distinction was well explained by Menger (1985; originally published in 1883): "We have gained cognition of a phenomenon when we have attained a mental image of it. We understand it when we have recognized the reason for its existence and for its characteristic quality (the reason for its being and for its being as it is).", p. 43.

[2] Back in the early 1960's Mises upheld, against the behaviorist approach to human behavior, the principle of relevance as one of the most important epistemological principles of history, unfortunately too much forgotten in contemporary scholarship: "It is the main task of the historian to assign as correctly as possible to every factor the range of its effects. This quantification, this determination of each factor's relevance, is one of the functions that the specific understanding of the historical sciences if called upon to perform […] He [the historian] must not waste his time in trifles. In choosing the theme of his book he classifies himself. One man writes the history of liberty, another man the history of a card game. One man writes the biography of Dante, another the biography of a fashionable hotel's head waiter […] It is possible to write a voluminous book about every subject. But the question is whether such a book deals with something that counts as relevant from the point of view of theory or of practice". Mises, (1962), pp. 102-103.

[3] See Jesús Huerta de Soto, "Metodo y Crisis en la Ciencia Economica", en Jesús Huerta de Soto, *Estudios de Economía Politica*, segunda edición, Madrid, Unión Editorial, 2004, 59-82.

[4] Menger (1985), p. 37.

rest on theory, not to alienate itself from its proper tasks, but on the contrary, in order more than ever to discharge them in the true sense of history".[5]

1. **The chinese conquest of the West**

1.1. *William Graham Sumner's crusade against that "splendid little war"*

Richard M. Ebeling, professor emeritus of economics and ethics at *The Citadel* University, has argued that the virus arisen in Wuhan on the cusp of 2019 and 2020, and the expansionist public policies that have followed it, lend themselves to a reading similar to the one proposed by some social scientists in the late 19th century America.[6] In his overseas trip made in the 1830s with his close friend Gustave de Beaumont, Alexis de Tocqueville realized how American foreign policy, imprinted on neutrality and non-intervention, represented a model in stark contrast to that in force in the old and warlike world from which he had come.[7] "The external politics of the United States", observed the French aristocrat, "is eminently expectant; it consists much more in abstaining than in doing".[8] Until the second half of the 19th century, in fact, American foreign policy had broadly followed the guiding principles enunciated by the founding fathers, who's adherence to a natural law- natural rights philosophy was never as abstract as not to regard with suspicion attempts on the part of the political class to establish *manu militari* new cities on the hill. On April 22, 1793, when the European continent was precipitating in a twenty-year conflict against the imperialism of the French revolutionaries, George Washington issued his "The Proclamation on Neutrality", which set the stage for US conduct toward the international arena in times of belligerence. The principles which inspired such proclamation were to be reiterated and made explicit by Washington

[5] Mises (2003a; originally published in 1933), p. 136.
[6] Ebeling (2020a).
[7] Tocqueville (2000), pp. 249-251.
[8] Tocqueville (2000), p. 251.

in his 1796 *Farewell Address* to the American People: "The great rule of conduct for us in regard to foreign nations is in extending our commercial relations, to have with them as little political connection as possible. So far as we have already formed engagements let them be fulfilled, with perfect good faith. Here let us stop". A philosophy that was also espoused, among others, by James Madison, father of the Constitution of 1787, John Adams and Thomas Jefferson.[9]

Echoing the spirit of 1776, Jefferson understood political isolationism as a corollary to the principle of international free trade: "Peace, commerce, and honest friendship, with all nations- entangling alliances with none."[10] As a consequence he added the following indication, which became part of official policy: "That Americans ought never to demand privileges from foreign nations in order not to be obliged to accord them themselves."[11] The clearest formulation of this instance is probably found in the inaugural address given in 1821 by John Quincy Adams, the architect of the Monroe Doctrine: "America, with the same voice which spoke herself into existence as a nation, proclaimed to mankind the inextinguishable rights of human nature, and the only lawful foundations of government […] But she goes not abroad, in search of monsters to destroy. She is the well-wisher to the freedom and independence of all. She is the champion and vindicator only of her own."[12]

At the turn of the new century, during the so-called Progressive Era, a revolutionary idea began to spread among the American elites of that time: the alliance between big business and big government, held up by several "socially engaged" intellectuals, rather than being sectorial should involve all strata of economic and social life.[13] This new mentality paved the way for militarism, the purpose of which was the forced opening of foreign markets and the protection of foreign investment through the sword of the

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[9] On the isolationism that has inspired the founding of the United States and its evolution, see Adler (1957)

[10] Risjord, (2002), p. 332.

[11] Tocqueville (2000), p. 250.

[12] John Quincy Adams, "Speech on Independence Day (1821)", in Girard, Mace & Smith (eds.) (2017), p. 12.

[13] Rothbard (2017).

state.[14] The idea of a "manifest destiny" that transcended the borders of the new world began to imbue and radically transform the Republican Party. Convinced of this new vision, various political figures including Theodore Roosevelt, Alfred Thayer Mahan, Henry Cabot Lodge, and John Hay formed a clique and defined an imperialist program called the large policy.[15] The first significant event marked by the large policy occurred in 1898, when the United States, under the presidency of William McKinley, decided to declare war on Spain over Cuba and the Philippines.[16]

The US prevailed, but it was a pyrrhic victory, for it meant abandoning its traditional isolationist stance.[17] What seemed to some-as the then Secretary of State John Hay described it- "a splendid little war" was in fact, as Sumner and members of the anti-imperial league such as Edward Atkinson, Mark Twain, William James, Carl Schurz and Andrew Carnegie sensed, a major turning point in American political history.[18] It marked a break with two fundamental republican traditions: the repudiation of empire and colonial hegemony on the one hand and on the other with a foreign policy based on a healthy distance from the dangerous international arena.[19] "The deeper result," observed Republican scholar Felix Morley, "was to make Washington for the first time classifiable as a world capital, governing millions of people as subjects rather than as citizens. The private enslavement of Negroes had ended. The public control of alien populations had begun."[20]

[14] Rothbard (1972), pp. 66-110.

[15] Raico (1995).

[16] By this we do not intend to say that the Spanish war represented the beginning of American expansionism. Before 1898, in fact, the US Government had purchased the Louisiana Territory from France (1803), engaged in a war with Great Britain over Canada (the war of 1812), declared war on Mexico to annex California and New Mexico (the Mexican-American war of 1846-1848), brutally invaded the secessionist states of the lower south (the so-called American civil war of 1861-65) and purchased Alaska from Russia (1867). With the Spanish-American war, however, what we have is the transposition of this militaristic mindset onto the international arena, transforming the US in a global imperialist power.

[17] See Bastos (2005), pp. 97-113.

[18] Liggio (1966), pp. 39-57.

[19] Karp (1979), p. 3; Stromberg (1979), pp. 169-201.

[20] Morley (1959), p. 104.

Henceforth, the return to a foreign policy in keeping with the Declaration of Independence, the Constitution and the Bill of Rights,[21] desired by those whom Lenin aptly called the "last Mohicans of bourgeois democracy", would from then onwards be "wishful thinking."[22] Mark Twain had been right when he observed: "We cannot maintain an empire in the Orient and maintain a republic in America."[23]

An insightful Yale sociologist and student of Herbert Spencer, as well as a spirited advocate of free trade, free enterprise and the gold standard, William Graham Sumner, was one of the few who had the audacity to speak against the tide.[24] In his view, the war with Spain, rather than representing an occasion for celebration, mirrored a philosophical, political and civilizational defeat and a radical betray of Americas' founding.[25] As he proclaimed: "We have beaten Spain in a military conflict, but we are submitting to be conquered by her on the field of ideas and policies. Expansionism and imperialism are nothing but the old philosophies of national prosperity which have brought Spain to where she is now [...] They are delusions, and they will lead us to ruin unless we are hardheaded enough to resist them."[26] In his view, in other words, this nascent American imperialism rather than symbolizing the country's strength was fruit of "a hegemony that America was beginning to suffer, a hegemony coming from the Old World".[27] In this way the future that attended the United States would not be one of glory, but rather one characterized by plutocracy, jobbery, exorbitant taxation, excessive public spending, a large public debt and a byzantine bureaucracy. "The political history of the United States for the next fifty years", Sumner wrote, "will date from the Spanish war of 1898".[28]

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21 Beard (1930).

22 Lenin (1974), p. 152. Originally published in 1917.

23 Denson (1999), p. 34.

24 For an introduction to the Sumner's thought, see Gissurarson (2021), pp. 33-55.

25 Sumner (1899).

26 Sumner (1899).

27 Di Martino (2018), p. 181.

28 Sumner (1914), p. 337.

1.2. *Sumner's lessons applied to our days*

Sumner ultimately proved right. Whereas throughout the 18th and 19th centuries, America had no standing army, taxes were low (there were no general sales taxes, social security taxes and especially no income taxes) public expenditure and bureaucratic management were negligible (no such things as the Federal Trade Commission, Interstate Commerce Commission, National Labor Relations Board, Department of Health and Human Services, existed) and currency consisted of fixed quantities of precious metals with no central bank meddling with the money relation, from the Spanish-American War down to World War I, World Word II, The Cold War all the way to our present days the US government has been systematically devoted to a policy of "protectionism, militarism and imperialism".[29] As a result, a machine was created that on an annual basis allows it to expropriate more than 40% of private wealth production, issue unlimited legislation, and impose an ever-increasing inflation tax, made possible by the replacement of commodity money with government fiat paper.[30]

Indeed, attempting to defeat the virus from the Middle Kingdom, Western states have made their own the mentality and *modus operandi* that distinguish the Chinese model. In the words of Michael P. Senger, a prestigious researcher and attorney: "The world has been fighting a virus that came from China with a public health policy from China that transforms the world into China [...] Whether COVID cases go up, down, or sideways, the solution offered by lockdown scientists and public health officials-the WHO being only the worst offender-is always the same: Be more like China. Every policy they've imported has been as deeply illiberal as it is ineffective, and many are disturbingly willing to suggest permanent changes to our civilization rather than admit error."[31] Underlying this stance is the idea that China has done a great job over the past years, a somewhat bizarre not to say harlequin vision since, as Di Martino rightly observes, "congratulating China on how it handled the epidemic

[29] Hoppe (2001), p. 279.
[30] Hoppe (2001), p. 278.
[31] Senger (2021).

would be like congratulating the Soviet Union for its responsible handling of the Chernobyl disaster."[32]

In what, we may ask, does the Chinese model consist of? First, we can say, in the systematic, ideological falsification of reality.[33] We know, in fact, that *Sars Cov 2* was circulating in the last months of 2019 and that the government led by Xin Jin Ping did anything and everything, with the approval even of international organizations such as the WHO, to cover up its propagation and deny its origins.[34] We should all remember, the tragic story of Li Wenliang, one among many doctors harshly punished by the Communist Party for spreading the alarm of this new respiratory virus. In the West, this aspect of the Chinese model has been present from the beginning and has allowed medical and government authorities to say anything and everything about mortality rates, transmissibility of the virus, effectiveness of masks, reliability of PCR tests, threshold of collective immunity, vaccination coverage, and so on. As philosopher and political analyst Michael Rectenwald reminded: "First, masks were useless and thus unnecessary. Then, masks were necessary. Then, two weeks of lockdowns were needed to flatten the curve. Then, the lockdowns continued for months. Then, two or more masks were needed. Then, vaccinations made masks unnecessary for the vaccinated; with the vaccines, masks and lockdowns would be obviated. Then, the vaccinated should wear masks, because they too are vulnerable to infection (and may spread covid). Then, lockdowns should be reinstated. These are but a few of the policy statements and reversals that have constituted the covid regime response".[35]

1.3. *Command-and-Control Economy, Scientism and "Big-Tech Guild Socialism"*

The second aspect that distinguishes the Chinese model and that China has successfully exported to the West has been the

[32] Di Martino (2021a), p. 61.
[33] Maglie (2020).
[34] Page, Fan, & Khan (2020).
[35] Rectenwald (2021).

command-and-control economy. Since the repression of Tien An Men (1989), which halted any process of democratization, the Chinese establishment, especially under the leadership of Jian Zemin (1989-2002) and Hu Jintao (2002-2012), has devoted itself to finding an equilibrium between a relatively private economy, thus tolerating the market-driven reforms of Den Xiao Ping (1978-1989), which enabled this otherwise backward reality to escape from stagnation, develop a flourishing enterprising middle class and integrate itself into the international division of labor,[36] and the indisputable dominance of the one-party system.[37] An equilibrium which, as both theory and history would predict, steadily tilted toward the pre-eminence of public property and state intervention, starting from strategic infrastructures and raw materials.

With the coming to power of Xi Jin Ping in 2013, who became president of the People's Republic on an anti-corruption campaign, this dichotomy was further compromised, as the distinction between strategic or non-strategic markets was largely obscured by a renewed cult of personality, which further expanded top-down control of economic and social affairs. Indeed, as Richard Ebeling illustrates: "Party officials and their relatives sit on the boards of leading Chinese companies; nothing gets financed or invested in unless it serves the political or personal purposes of those in the various layers of governmental and Party power. Government planning agencies dictate interest rates as well as where investment funds will be employed in the various sectors of the Chinese economy […] Thanks be to the memory of Chairman Mao and the brilliant leadership of President Xi for still having in place the necessary and needed policy tools of the command and planned economy!"[38] The highest expression of this new technocratic and statist drift is probably the social credit system: a regulatory framework, first announced in 2014 and operative since 2020, intended to track both households and firms and assign them credit ratings based on what CCP officials consider to be trustwor-

36 Chang (1988), p. 49.

37 See on this, Wu & Yin (2018).

38 Ebeling (2020a).

thy behavior.[39] Akin to a "points-based license of the good citizen", as historian Eugenio Capozzi described it, it thus allows the Chinese government to subordinate the exercise of human rights to constant monitoring, making sure that those whose actions or sayings are not aligned with the governments directives are excluded from social life.[40]

Based on what happened in Wuhan, European states, coercively and centrally imposed all-encompassing and indiscriminate lockdowns, preventive quarantines, liberticidal curfews, and arbitrary bans that suspended the most basic freedoms, starting from the freedom to use one's own body and property. In addition, western political elites monopolistically took charge of much of the resources related directly and indirectly to the health care sector by establishing themselves as dominant players in various "strategic" markets, like the ones for personal protective equipment (masks, disinfectant gels, PCR pads, or respiratory ventilators and Covid centers). What at first appeared to be simply a medical/health tragedy gave way to a full-blown political catastrophe.[41] The moment a health emergency was declared on Jan. 30, 2020, States arrogated to themselves the duty and "saving" power to "fight" the virus everywhere and at any cost, politicians built such a "machine room", to use an expression dear to Bertrand de Jouvenel,[42] capable of regulating almost the entire social fabric. They arbitrarily decided who could work and who could not, and especially how much and under what conditions; which industries, enterprises and consumer goods were indispensable to consumers and which they could do without (theaters, cinemas, night clubs or ski resorts come to mind, for example); when, how and for what reasons people could leave their homes, visit family members, move from region to region and so on.

The politicization of the healthcare emergency allowed statist ideology to take on scientistic connotations. A real "cult of science", as Mises referred to it, emerged which, although not new

39 Mistreanu (2018).
40 Capozzi (2023), p. 160.
41 See Ferguson (2021).
42 Jouvenel (1947).

-one need only recall figures like Francis Bacon, Saint Simon or Auguste Comte – spread throughout the fearful masses. The result was a chaotic and violent environment. One saw this clearly during the multiple and contradictory vaccination campaigns which were promoted by the political elites as "face-saving" exit opportunities from the Great Lockdown. As the social unrest due to lockdown policies was becoming day by day more unbearable, governments needed a way out that did not jeopardize its propaganda up to then, namely that the world was facing a killer virus that, were it not for government's draconian policies, would have spared nobody.[43] Vaccine mandates and vaccine passports were thus introduced: frontal attacks on the principle of freedom of cure and vehicles for the further intensification of the biopolitical control of the western regimes. This transformation of public health allowed the elites in power to even redefine the terms of scientific discourse, an element which has further tightened the gap between China and the West. As Professor of Medicine, Epidemiology and Population Health, John Ioannidis wrote: "The dominant narrative became that "we are at war". When at war, everyone has to follow orders […] Opponents were threatened, abused, and bullied […] Statements were distorted, turned into straw men, and ridiculed […] Reputations were systematically devastated and destroyed. Many brilliant scientists were abused and received threats during the pandemic, intended to make them and their families miserable […] Politics had a deleterious influence on pandemic science".[44]

All these policies occurred during what sociologist Shoshana Zuboff has called "the age of surveillance capitalism",[45] but what is probably more accurate to describe as the era of big-tech guild socialism. This "new frontier of power" based on a minute and digital control over human nature and its most intimate components (what is more intimate than one's own body?) on the part of such "formally" private giants as Microsoft, Google, Twitter, Youtube etc. has, in fact, gone hand in hand with the aggrandizement and concentration of State power and its intent to form ever-more

[43] Bagus (2021).
[44] Ioannidis (2021).
[45] Zuboff (2019).

biding alliances with corporations, media outlets and supranational organizations (UN, IMF, WEF, WHO etc.) to dissolve private property rights from within the social and catallactic order. This explains why in May 2020, precisely when the political apparatus was making one of the greatest incursions into civil society, the combined capitalization of the big four- Microsoft, Apple, Amazon and Facebook- reached one fifth of the entire S&P 500. It also allows one to explain and account for the proliferation, in recent years, of the so-called Environmental, Social, and Governance (ESG) Index, which can best be described as "a Chinese-style social credit score for rating corporations [...] to reward the in-group and to squeeze nonwoke players out of the market [...] an admission ticket for entry into the woke cartels". [46]

In this era of big-tech guild socialism, the utopian goal of radically and immediately transforming the economic and political system has re-emerged, with an ever-greater role assigned to globalist, supranational and essentially unaccountable organizations. While globalism is generally used as a substitute term for globalization, it is important to keep in mind that the two are not only different but fundamentally at odds with one another. Globalization, strictly speaking, is what emerges when trade and capital flows are free from the interference of governments and their special interests. In Mengerian terms we can say that it is the organic and irreflexive result of the peaceful interactions between billions of individuals and firms, competing and cooperating as trading partners across multiple, diverse geographical regions in their role as suppliers and demanders. The term globalization is just a substitute for the international division of labor. Globalism instead refers to the attempt of a few "elect" gathered around political supernational platforms that speak on behalf of abstract, humanitarian principles to plan, manage, guide, and ultimately absorb this complex, interdependent and overlapping international division of labor. It is a call for central planning and collectivism. The clearest example of this globalist aspiration are the calls for a Fourth Industrial Revolution, a Great Reset on the part of the *World Economic*

[46] Rectenwald (2022).

Forum and its president Klaus Schwab, and the 2030 Agenda, subscribed by all UN member states in 2015. Plans which have received new momentum as a result of the emergency platform that arose during Covid 19.[47] While dressed up in clever and attractive catchwords- "sustainability", "inclusivity", "equality", "integration", "sharing economy", "resilience", "happy decline" etc- all of them represent the latest programs of social engineering aimed through scientific experimentalism, population control, forced de-carbonization, transhumanism to transform the nature of creation and of man, revolutionizing the natural order *ab imis fundamentis*. The accomplishment of these goals necessarily requires the violent establishment of socialism and thus the annihilation of man as we happen to have known him. "Planning other people's actions", Mises emphasized, "means to prevent them for planning for themselves, means to deprive them of their essentially human quality, means enslaving them".[48]

2. **The economic and monetary road to our present emergentialism**

1.1. *The Great Recession, Quantitative Easing and Covid 19: a matter of path dependence*

As Walter Bagehot once observed, engaging in historical analysis (characterized by what he calls the "single-case approach") devoid of a preliminary theory or set of doctrines is "like trying to explain the bursting of a boiler without knowing the theory of steam".[49] This, according to Bagehot, is especially true when dealing with the history of a panic: always "a confused conflict of many causes".[50]

This brings us to the topic at hand, for if one wants to have a clear understanding of our present times, one must begin with the crisis of 2008, the most severe economic recession since the crash of

[47] See Schwab and Malleret (2020).
[48] Mises (1962), p. 129.
[49] Bagehot (1885), p. 23.
[50] *Ibidem*.

1929. The economic recession that accompanied the financial crisis, in perfect accord with Austrian business cycle theory, was the inevitable consequence of monetary and credit laxity on the part of the FED. Instead of allowing the market to liquidate the bad investments that were committed during the recession of 1992 and even more so during the dotcom bubble (1995-2000)- itself caused by Greenspan's policy induced monetary stimulus that was intended to steer up the illusion of a "new economy" under Clinton-[51] the U.S. central bank kept, especially in the aftermath of the 2001 terrorist attacks, interest rates too low for too long. Adjusted to price inflation, the *Federal Funds Rate* went from 4.5% in 2001 to -2% by 2004, the lowest it had been since the years 1978-79. This drastic reduction in the overnight interest rate brought downward pressure also to longer term interest rates, such as thirty-year mortgage rates, thus creating a new and deeper speculative bubble concentrated especially in the housing market and in the real estate development sector.[52]

The housing bubble did not simply distort short, medium and long-term interest rates but the entire production structure and social order, starting from those basic institutions, such as the natural and evolutionary norms of traditional accounting, on which the entrepreneurial function and society rest. With the unfolding of the boom, in fact, the idea spread among economic agents and policymakers, that asset valuations should not be based on considerations of prudence (what is generally referred to as book value accounting) but should rather capture the future, intrinsic worth of a given set of securities based on volatile, unrealized and mostly inflated market prices (what is called "fair value").[53] A transformation which runs contrary to the very purpose of accounting, which

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[51] Economists Gene Callahan and Roger Garrison, among others, have shown how in line with the Austrian story, from the mid 1990's to the early 2000's one finds a systematic correlation between monetary growth, the Fed Funds Rate, the technology- heavy NASDAQ Composite and the estimated level and structure of sustainable employment. See Callahan & Garrison (2003), pp. 67-98.

[52] For a detailed analysis on the causes of the Great Recession, see Huerta de Soto (2008); Woods (2009); Mingardi (2009); Carbone (2009); Alonso, Bagus y Rallo (2011), pp. 145-174; Salerno (2012), pp. 3-44; Boettke & Horwitz (2016); Murphy, (2021), pp. 127-133.

[53] Huerta de Soto (2003), pp. 24-27.

is to enable rational business management and avoid the consumption of capital.[54] Land, labor and capital goods were thus massively malinvested into the expansion of higher order stages- total construction employment experiencing a net increase of one million workers between 2003 and 2006- while at the same time economic agents, overestimating their profits and asset values, engaged in overconsumption, which ultimately demonstrated a preference not to relinquish the necessary consumer goods and non-specific inputs to sustain these ambitious, long-term projects. All of which required a correction and a liquidation, which, as soon as credit stopped expanding and interest rates mounted to their natural levels, came in form of a severe financial crisis and economic recession which boosted the unemployment rate up to 10% by October 2009, the highest since November 1982.[55]

The subprime crisis, most importantly, marked a watershed at the level of economic policy. In its aftermath, governments and their central planning bodies (mainly central banks) went from being market players to real market makers, from lenders of last resort to lenders of first resort. Inaugurating this new era was treasury secretary Henry Johnson's rescue plan dubbed TARP (Troubled Asset Relief Program), which destined $700 billion, paid out of taxpayer's money, to save troubled institutions and stabilize financial markets. In terms of monetary policy, what we see in this period is a shift from the use of ordinary tools, mainly the targeting of the overnight, interbank rate to stabilize demand, employment and inflation, to the implementation of unconventional monetary policies, such as *quantitative easing* and *targeted asset purchases or qualitative easing*: ultra-expansive programs consisting in radically altering the size as well as the composition of central banks' balance sheets by pumping ever-increasing doses of new money into the financial sector (in excess of what would be needed to reach the interest rate target).[56]

Through the creation of new reserves, central banks started buying massive and varied quantities of long-term securities

[54] Huerta de Soto (2012a), pp. 71-77.

[55] Federal Reserve Bank of St. Louis (2023).

[56] For a detailed treatment of these unconventional monetary policies, see Cecchetti & Schoenholtz (2015).

(government debts but also large amounts of private bills, especially commercial paper, corporate bonds and mortgage-backed securities) thus pushing down interest rates on a whole series of what policymakers deem to be "risk-free" assets across the yield curve.[57] All, *ça va sans dire*, under the guise of "stimulating" the economy, which was thought to be stuck in a Keynesian-style liquidity trap.[58] Since, moreover, the accepted belief was that long-term interest rates and bond yields depend heavily on expectations regarding future short-term rates, policymakers soon decided to supplement both quantitative easing and credit easing with another unconventional policy tool, *forward guidance*, which ultimately sees central bankers publicly informing and reassuring economic agents about future policy targets and commitments.[59]

In the West these policies officially began in March of 2009 when Ben Bernanke, after the federal funds rate had hit its lower bound, thought he could not afford giving people the idea that the central bank was left with no escape route. He thus announced the purchase of $750 billion in mortgage-backed securities and $300 billion in U.S. treasuries, which ultimately was repeated and aggrandized in 2010 (QE 2) and 2012 (QE 3). As Robert P. Murphy noted: "the subsequent rounds of quantitative easing allowed the Fed to show that it hadn't "run out of ammunition" and could

[57] For further information, see Reserve Bank of Australia (2020).

[58] The concept of liquidity trap tries to depict a situation in which the interest rate has reached its lower bound and the demand for money is infinitely elastic. Aside from the inconsistencies and contradictions of the theory on which this concept is based- the liquidity preference theory of interest- what produces and perpetuates a similar "trap" is the institutional rigidity and uncertainty promoted by government's fiscal and monetary manipulations. Along with altering the financial structure of enterprises during the boom, in times of crisis what these policies do is disincentivize the repayments of debts incurred as well as inhibit the relative price adjustments (which tend to reveal an increase in the natural rate of interest corresponding to higher time preferences) that would lead to a quick and sustainable recovery. For a critique of this Keynesian postulate, see Boettke & Newman (2015). See also Rallo (2011), pp. 161-164.

[59] According to the mainstream this unconventional tool performs two fundamental functions: 1) it makes known to the public that central bank policy is history dependent in particular ways and 2) it reinforces policy commitments by the central bank. See Woodford (2012), pp. 4-10.

continue to inject money in an attempt to boost spending through a "wealth effect" and reduced longer-term interest rates".[60]

Curiously enough, Ben Bernanke invoked that self-styled liberal of Milton Friedman in his defense.[61] The Federal Reserve Chairman, in fact, on the basis of Friedman and Schwartz's account of the Great Depression (1929),[62] had come to the conclusion that the only way to avoid future crises was to prevent deflation at all costs, thus disdaining the supporters of sound money (which he described as supporters of "the gold standard orthodoxy") and of a free economy (dubbed as "liquidationists").[63] As he stated on the occasion of Friedman's ninetieth birthday, in 2002: "I would like to say to Milton and Anna: as far as the Great Depression is concerned. You are right, we did it. We are very sorry. But thanks to you, we won't do it again."[64] In order to put things in perspective, overall, the three rounds of quantitative easing combined, boosted the FED's assets from less than $900 billion (August 2008) to $3.5 trillion (mid 2013), while excess reserves in the banking system during the same period went from less than $2 billion to almost $2 trillion.[65] By 2014, when the program was wrapped up, FED's assets climbed to more than $4 trillion.[66] Not incidentally, therefore, Bernanke was described by Murphy as "The FDR of Central Bankers".[67]

The fatal error Bernanke committed derived from his Keynesian conception of the market as a fundamentally irrational and hazardous game and his neglecting the basic insights of Austrian capital theory into the complexity, interdependence and intertemporal nature of modern economies. Production is not circular or synchronous, but consists in a diachronic, stage-to-stage process which requires intertemporal coordination and an uninterrupted

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60 Murphy (2020), p. 83.

61 On certain illiberal aspects of Milton Friedman and the Chicago School from an Austro-libertarian perspective, see Rothbard (2002); Block (2010); Di Lorenzo (2002); Huerta de Soto (2012b), pp. 177- 189; Huerta de Soto (2012c).

62 See Friedman & Schwartz, (1963).

63 See Bernanke (2004).

64 Bernanke (2002). See also Bernanke (2017).

65 Cecchetti & Schoenholtz (2021), p. 511.

66 Council on Foreign Relations (2018).

67 Murphy (2014).

flow of real savings- a constant surplus of unconsumed consumer goods and working capital- for its sustainability. When a recession hits it is not because of a lack of liquidity or consumption, "aggregate demand", but rather the reverse: too much liquidity and consumption on the one hand, and an insufficient flow of real savings and availability of genuine capital on the other compared to what the plans and expectations of the investing public initially were. Injecting additional levels of paper money in order to stimulate consumption and avoid a monetary and credit contraction, therefore, will not only not replace the needed capital, but will make matters worse, hampering further the wealth-generating process and inhibiting those liquidations and restructurings that would allow for a healthy readjustment of production structure in accordance with the revealed economic fundamentals.[68] Combating a recession with further injections of money and credit, therefore, in the words of Friedrich von Hayek, is "to attempt to cure the evil by the very means which brought it about".[69]

Backing these deleterious unconventional policies, however, were the typical court economists, intellectual bodyguards of the State, from Christine Lagarde (at the time head of the International Monetary Fund) and Paul Krugman, who fed the anti-deflation paranoia. In March of 2009, Krugman openly admitted his desire to stimulate the economy by promoting inflationary tensions: "The big policy news this week has been the Fed's decision to buy a $1 trillion of long-term bonds, going beyond the normal policy of buying short-term debit. Good move […] In effect, its printing $1 trillion of money, and using those funds to buy bonds. Is this inflationary? We hope so! The whole reason for quantitative easing is that normal monetary expansion, printing money to buy short-term debt, has no traction thanks to near-zero rates. Gaining some traction- in effect, having some inflationary effect- is what the policy is all about".[70] Similar endorsements of quantitative easing were made by other renowned and influential mainstream economists, such as Gregory N. Mankiw and Kenneth Rogoff, who

[68] See also the commentaries in Huerta de Soto (2009), pp. 233-236.
[69] Hayek (1933), p. 21.
[70] Krugman (2009).

looked with great joy at the building up of inflationary expectations, seeing this policy as the only one capable of bailing out large debtors and fomenting panic spending.[71]

Most economists and financial analysts have made similar judgments during the current Pandemic, so it is no coincidence that they have stepped on the monetary inflation accelerator as never before. Within one year, between March 2020 and March 2021, the Fed increased its balance sheet from 4,2 to 7,6 trillion dollars, which amounts to a 78% increase.[72] Aside from an increase in size of its asset, the FED created the *Primary and Secondary Corporate Credit Facilities LLC* in order to aggressively buy corporate debts and the *Term Asset-Backed Securities Loan Facility (TALF)* in order to its facilitate the issue of securities backed by student loans, auto loans and the like. On top of this, the American central bank, in order to give further impetus to the inflation, effectively eliminated reserve requirements for banks and changed its monetary policy objective toward an average inflation targeting, which allows it to produce above-target annual inflation rates with the justification of compensating for previous years.[73]

Upon close inspection, there is a clear thread linking the 2007-2008 crisis to the current Pandemic. The financial crisis and economic recession of 2008 created a "new era" in which economic crises and emergencies became to be viewed as variables governments and their technocratic apparatus could control and handle, which ultimately created the foundation for the dirigiste response to the health care crisis. As Gilberto Corbellini and Alberto Mingardi have perceptively pointed out: "Quantitative easing following the 2007-2008 crisis somehow generated the kind of crisis response produced by the pandemic, in a clear case of path dependence [...] Economic crises are something that governments think they can handle. It seems clear to us that they viewed the pandemic in the same way. This has produced a distorted, mechanistic reading of events."[74]

[71] See Miller (2009).
[72] Murphy (2021).
[73] See Murphy (2020), pp. 91-99.
[74] Corbellini & Mingardi (2021), pp. 317-318.

2.2. *The anti- deflation paranoia and its foundational myths: the Great Depression and the eternal "New Deal"*

Far from being the greatest evil, deflation must be seen as a gift from God, especially in times of crisis, since it tends to reverse prior redistributive injustices (favoring creditors and generally fixed-income groups, i.e., pensioners, wage earners, salaried workers, etc.) and, above all, accelerates the process of reconverting the productive structure toward a healthy, sound and sustainable configuration.[75] Monetary contraction ends up re-incentivizing savings and capital accumulation, freeing up productive resources where they have been misused while channeling them, *pari passu*, to those sectors that are really profitable and thus benefit consumers as a whole. All this while entrepreneurs begin to regain the necessary confidence and to glimpse, thanks to the relative lowering of many factor prices, new opportunities for profitable investments in the different stages of the production structure. Deflation, in other words, is the necessary counter-revolution that saves the social order when the revolutionary and destructive potentials of inflation have been let loose.

The anti-deflation paranoia has its foundation in the experience of the Great Depression. As several careful economists and scholars-from Ludwig von Mises[76] to Friedrich von Hayek,[77] from H. Parker Willis[78] to Gottfried Haberler,[79] from Lionel Robbins[80] to Benjamin Anderson,[81] from Murray N. Rothbard[82] to Hans F. Sennholz-[83] explained and illustrated in their day, Friedman's explanation was short-sighted. The origin of the Great Depression must be sought not in the monetary contraction of the early thirties (which occurred in spite rather than as a result of FED policy,

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75 Hülsmann (2006).
76 Mises (1936).
77 Hayek (1984).
78 Parker (1932).
79 Haberler (1932).
80 Robbins, (1934).
81 Anderson (1949).
82 Rothbard (2000; originally published in 1963).
83 Sennholz (1969).

which continuously sought to inject controlled reserves into the banking system) but rather in the monetary and credit expansion carried out by the FED in the 1920s under the *de facto* leadership of Benjamin Strong (the money supply rose from $45 billion in 1921 to approximately $73 billion in 1929, a net increase of around 61%), and its long duration was the inevitable consequence of the fiscal interventionism and tightening of the economy that occurred first under Herbert Hoover, elected in 1928, and later with the idol of progressives, Democrat Franklin Delano Roosevelt, elected in 1932.[84] Although Hoover is regarded as a proponent of laissez faire, he himself thought otherwise, as is clear from the words he uttered, for example, during a campaign speech in 1932: "We could have done nothing [...] Instead, we dealt with the situation by proposing to private enterprise and to Congress the most gigantic program of defense and economic counterattack ever developed in the history of the Republic [...] No government in Washington has ever considered that it had such a broad leadership responsibility in these times as ours."[85] Among the policies Hoover favored and enacted were keeping wages artificially high; higher tariffs to artificially protect agriculture; credit expansion by the FED to somewhat defend the gold-based monetary system; government provision of long-term capital funding to savings banks, build and loan associations, states, agriculture (through the Home Loan Bank system and the Reconstruction Finance Corporation), increased public work schemes; regulation of the stock market and loosening bankruptcy laws at the expense of creditors.[86]

In the aftermath of the election, Roosevelt lent himself to continue and complete the interventionist policies begun by Herbert Hoover.[87] Hoover was thus the real father of the New Deal: a fact that has been repeatedly admitted by members of Roosevelt's brain trust themselves. "When we all burst into Washington," recalled New Deal ideologue Raymond Moley, "we found every essential idea [of the New Deal] enacted in the 100-day Congress in the Hoo-

[84] Huerta de Soto (1998).
[85] Hoover (1932).
[86] See Rothbard (1963), pp. 285-336.
[87] Horwitz (2011).

ver administration itself."[88] For his part, economist Rexford Tugwell confessed, "When it was all over, I once made a list of New Deal ventures begun during Hoover's years as Secretary of Commerce and then as president [...] The New Deal owed much to what he [Hoover] had begun."[89] On another occasion, Tugwell was even more explicit and clear-cut: "We didn't admit it at the time, but practically the whole New Deal was extrapolated from the programs that Hoover started."[90]

In addition to following his predecessor's example, it should be remembered that Franklin Delano found inspiration in fascism. The American president went so far as to call the Duce "a true gentleman" and to admit that he was "very interested and deeply impressed by what he has accomplished and by his proven honest effort to renew Italy [...]".[91] The interest was such that in 1934 Roosevelt sent Tugwell to Italy to meet with the Italian leader and see firsthand the successes of fascism, planting its seeds in the new world.[92] Both the *National Recovery Administration* and the *Agricultural Adjustment Administration*, the two cornerstones of the first New Deal, were inspired by the *Stato Corporativo* that had been introduced in the 1920s by Mussolini.[93] Most people in those days, as the historian Paolo Mieli reminds us, were truly convinced that "the *Stato Corporativo* stands to Mussolini as the *New Deal* stands to Roosevelt."[94] The dominant culture, on both sides of the Atlantic, favored planning and government-business partnerships. As Virgil Jordan, chief economist at *Business Week*, wrote in the early 1930's, American businessmen were ready for an "economic Mussolini".[95]

Among the many who realized the brotherhood between the *New Deal* and fascist corporatism was the American journalist and famous exponent of the Old Right, John T. Flynn (1882-1964). As he

88 Moley (1948), p. 100.
89 Shlaes (2007), p. 149.
90 Johnson (1997), p. 740.
91 Mieli (2021), p. 19.
92 Perfetti (2021).
93 DiLorenzo (2001), p. 435.
94 Mieli (2021), p. 21.
95 Cited in Rothbard (1963), p. 281.

put it: "The *NRA* provided that in America each industry should be organized into a federally supervised trade association. It was not called a cooperative. It was called a Code Authority. But it was essentially the same thing. These code authorities could regulate production, quantities, qualities, prices, distribution methods, etc., under the supervision of the *NRA*. This was fascism."[96] A detail that had not escaped even Mussolini who, in a July 7, 1933 article published in *Il Popolo d'Italia* noted that the New Deal shared with fascism a fundamental principle, namely that the state cannot "disregard the fate of the economy."[97]

In all, the results of the New Deal were resoundingly unsuccessful. By 1938 the level of unemployment-more than 10 million people-exceeded that of 1931- 8 million-the year prior to Roosevelt's election. By the end of the decade and nearly 12 years after the financial crash of '29, the unemployment rate was even over 17 percent and the economy continued to stagnate.[98] Revelatory in this regard are the words we find written in the private diary of the Secretary of State, Henry Morgenthau: "We have tried spending money. We are spending more than we have ever spent before and it does not work [...] We have never made good on our promises [...] I say after eight years of this Administration we have just as much unemployment as when we started […] and an enormous debt to boot!"[99] Economic recovery came, in fact, only in the aftermath of World War II, when the U.S. government significantly cut spending, rebalanced public accounts, eliminated war controls and lowered effective tax rates, up to the point where, by late 1946, government resource allocation was almost entirely gone. Between 1944 and 1947 public spending at all levels was cut by some 75%, going from 55% of GDP in 1944 to around 16% by 1947, while tax revenues fell by some 11%.[100]

This drastic "austerity" program, as it would have been called today, created the necessary conditions for the recapitalization of

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96 Flynn (1948), p. 43.
97 Cited in Mieli (2021), p. 82.
98 Reed (2010), p. 16.
99 Blum (1959), pp. 24-25.
100 Bohanon (2012).

the production structure. It allowed scarce resources to be redirected toward welfare-enhancing uses and at the same time gave entrepreneurs the incentive and confidence necessary to engage in long term planning, saving and investment.[101] As economist Cecil E. Bohanon reported: "Real consumption rose by 22 % between 1944 and 1947, and spending on durable goods more than doubled in real terms. Gross private investment rose by 223 % in real terms, with a whopping six-fold real increase in residential housing expenditures […] There was a massive, swift, and beneficial switch from a wartime economy to peacetime prosperity; resources flowed quickly and efficiently from public uses to private ones".[102] If anything, therefore, the example of Great Depression illustrates how nefarious government intervention on the basis of an anti-deflationary political platform is and how necessary it is to let the market, which is extremely efficient in dynamic terms, freely perform its function, uncovering and liquidating uneconomic investment processes and laying the groundwork for a healthy restructuring of production through the free exercise of entrepreneuriaship.[103]

2.3. *"Whatever it takes" and the fall of Europe: A Keynesian-Monetarist Fiasco*

The European landscape, in the meanwhile, was not immune to the interventionist virus that infected policymakers in both Japan and the USA. This was especially the case with regards to money. Since plain monetary interventionism- price controls embodied in domestic price cups, foreign exchange controls, usury laws etc.- produce quickly and visibly countervailing tendencies which run contrary to the purpose of the intervention and reck havoc to the

[101] Mingardi (2019), p. 80. See also Ferrero (2020a), pp. 564-565. When economists and analysts mention the 91% tax rate that was prevailing over 200.000 dollars, they fail to acknowledge and report that, as Lawrence Lindsey has pointed out, in the 1960's it was ultimately paid by only eight individuals. See George W. Bush Presidential Center (2012), p. 46.

[102] Bohanon (2012).

[103] Huerta de Soto, Sánchez-Bayón, & Bagus (2021).

entire coordination system of an economy, monetary manipulation has come essentially, albeit not only, in the form of politically induced changes in the supply of money, the cornerstone of monetary policy.[104] "The manipulation of the quantity of money", observes Philipp Bagus, "has only one aim: the financing of government policies. There is no other reason to manipulate the quantity of money".[105]

Between the FED and the ECB there have traditionally been two essential differences: one relating to its mandate, the other operational.[106] When it comes to its policy objectives the FED is endowed with a dual mandate which consists in guaranteeing price stability on the hand while supporting, at the same time and on equal footing, such macroeconomic variables as aggregate demand and total employment. Its European counterpart, *par contre*, has what economist Laurence H. Meyer calls a hierarchical mandate. As Article 127 of the Treaty on Functioning of the European Union recites, the primary objective of monetary policy in the euro area is to guarantee price stability and only without prejudice to this objective can the central banking system support the other macroeconomic policies of the Union.[107] This mandate was strictly linked to another postulate of the Treaty, namely the independence of the European Central Bank from political interference by member states, which was supposed to be reassured by a set fiscal and budgetary rules, from the prohibition of monetary financing (Article 123) to the no bailout clause (Article 125), from the prohibition to give financial institutions privileged access (Article 124) to the fiscal provisions to avoid excessive government deficits

[104] Hülsmann (2003a), pp. 37-38.

[105] Bagus (2010), p. 21.

[106] For the purposes of our essay, we must here engage in a simplification. In fact, the differences between these two institutions are broader than their respective monetary policy framework and extend also to historical evolution, institutional structure and policy performance. Not to mention the fact that the operational procedures differ, among other things, with regards to the quality and breadth of accepted collaterals, loan maturities, reserve requirement ratios etc. For a comprehensive analysis, see Cecchetti & O'Sullivan (2003).

[107] See Constancio (2018).

Meyer (2001), p. 4.

(Article 126) and the Stability and Growth Pact (based on Article 121 and 126).[108] With the evolution of the 21st century and the unfolding of banking and fiscal crisis the independence of the Central Bank and its hierarchical mandate came ever more under pressure, which brings us to the other difference with the American "lender of last resort", of an operational nature.

While FED monetary policy has, since the early 1920's, operated via outright open market operations, purchasing/selling government bonds from/to the financial sector and secondary market, the ECB, from 1998 until 2010, has done so mainly via its lending facilities, that is by refinancing/curtailing loans to/from the banking system with member state bonds pledged as collateral, mainly in the form of reverse transactions ranging between two weeks and three months.[109] Therefore, unlike the American central bank which engaged in a "produce-money-and-purchase" approach (PMP), the European Central Bank influenced the money relation largely via a "produce-money-and-lend" approach (PML). Despite the accounting and legal differences that accompanied these two approaches[110] economically speaking there is little difference.[111] Just as in the United States, therefore, even in its earlier phases, the ESCB produced new money, financed government deficits and redistributed real resources from the profit-seeking private sector and real money holders to the unaccountable public sector bureaucracies of peripheral countries and their special interest groups. All while altering the production structure- who produces what and how- and engendering an inter-temporal, boom-bust cycle.[112]

During the 2008 financial crisis and its aftermath, the size of the ECB's balance sheet began to take center stage in the economic

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108 See European Central Bank (2023).

109 Bagus (2010), pp. 86-87; Cecchetti & O'Sullivan (2003), pp. 37-38.

110 In the case of the FED the government bonds appeared on the asset side of the balance sheets whereas in the case of the ECB they did not because ownership remained formally in the hands of the commercial banks.

111 On how the FED and the ECB policies diverge in form but converge in substance, see Bagus (2011).

112 For a step-by-step praxeological reconstruction of the modern banking system and on the differences between "an easy, print-and-spend" policy and "an easy, print-and- loan credit policy", see Hoppe (2011).

policies of the euro area and even the differences mentioned above were soon to disappear. After the fall of Lehman Brothers', on September 15 2008, and the following turmoil in global financial markets, the marginal lending facility rate was slashed from 4,5% to 1%, eligible collateral was expanded and the central bank, with the establishment of a "fixed rate full allotment policy", assumed the role of intermediary in the inter-bank market, granting banks loans of unlimited amount and extended maturity against a fixed rate of interest.[113] With the eruption of the sovereign debt crisis in Greece in 2010 and its consequent propagation in Portugal, Italy and Spain, the ECB, through its *Securities Market Programme* (SMP), made a further step. It bought unlimited quantities of sovereign bonds in the secondary markets in order to lower bond yields and then declared that it would do 'whatever it takes to preserve the euro" (a clear example of forward guidance).[114]

A retrospective look at this period indicates a significant increase in the money supply: the ECB's balance sheet, between November 2008 and September 2012, when Outright Monetary Transactions (OMT's) were announced, bounced from 1.5 to 3.2 trillion euros.[115] By June 2014 this was followed by the Governing council's announcement, as part of its *Credit Easing* programme, to introduce *Long-Term Refinancing Operations* (LTRO'S) consisting in extending credit at a fixed 1% rate to banks willing to finance the private sector and to begin its purchase of covered bonds, such as assets backed securities, thereby exchanging long term illiquid assets with liquid central bank reserves.[116]

These moves, starting from the first bailout of Greece, created a precedent that would reck havoc up to our days, for if on the one hand they exposed the eurozone to the likelihood of a continental inflation, with all its economy-wide imbalances and financial distortions, on the other they established and applied the "too big to fail" principle to member states, thus setting the foundations for

[113] Boeckx & Cordemans (2017), p. 72.

[114] The expression *whatever it takes* was pronounced by Mario Draghi during a press conference on the 26th of July 2012. It could be argued, however, that it ultimately represents the *Weltanschauung* of this decade regarding public policy.

[115] Micossi (2015), p. 12.

[116] Demertzis & Wolff (2016).

the institutionalization of moral hazard and irresponsible financial behavior throughout the union. As the great Italian economist, Antonio Martino, perceptively noted following Econfin's decision to create an "anti-crisis" fund endowed with more than 600 billion euros: "yesterday's decision enshrines the principle that Europe will prevent the bankruptcy of one of its member states at all costs. What consequences this choice will have on the financial conduct of individual countries is not hard to imagine: knowing that they can rely on European intervention, they will be able to manage their budgets without scruples [...] the cure will be enormously worse than the disease: the bankruptcy of one or a few European countries and their momentary exit from the euro would be have been a serious problem yet circumscribed and limited in time; the solution identified heralds generalized and lasting difficulties".[117] Read more than a decade later, these words seem nothing short of prophetic.

The submission of monetary policy to the ministry of finance of the various national governments would receive further momentum on January 22, 2015. On that day, Mario Draghi, after having repeated in the past that he did not want to know anything about the possibility of introducing *quantitative easing* in Europe and that monetary policy was not a substitute on member states for the necessary fiscal and budgetary reforms, finally announced the start of the the *Public Sector Purchase Program* (PSPP) buying up to 1.1 trillion dollars of government bonds.[118] Publicly, these policies were sold as ultimately inevitable given the deflationary pressures and low economic recovery that the western economies were thought to be experiencing, and were intended to reverse these trends by affecting three main channels: the interest rate channel (flattening the yield curve); the exchange rate channel (weaking the euro vis a vis other currencies) and the portfolio rebalancing channel (cleansing bank's assets so that lending and investing, especially toward riskier projects could be resumed).[119] Upon closer inspection, however, one cannot fail to see the role played by special interest

[117] Martino (2022), pp. 96-97.
[118] Huerta de Soto & Ferrero (2022), pp. 120-121.
[119] Demertzis & Wolff, (2016) p. 2.

groups depending both ideologically and materially from the monetary policies of the different central banks, in kickstarting the program. Other than Draghi's twisted left-wing Keynesianism, which can be condensed in the outdated idea that growth requires increased deficit spending,[120] significant pressure to initiate this program came also from the Anglo-Saxon world (The City of London, Wall Street, the International Monetary Fund), privileged interest groups in the export trade (situated in Germany but not only), and that amalgam of mainstream economists (Keynesians and monetarists) pervaded by deflation phobia, which ultimately is nothing but a politically correct substitute for inflation philia.[121]

Nowadays there is a tendency, by virtue of that stance, to portray Draghi as the savior of the euro.[122] The truth, however, is just the opposite: as soon as the latter decided to follow the example of the Japanese Central Bank and the FED, injecting massive doses of new money and systematically and indiscriminately buying government bonds of the different eurozone members, he not only violated, *de facto*, the Maastricht Treaty (1992) by monetizing the public debt of the member states but dissolved whatever was left of the hierarchical mandate, thereby seriously endangering the future of the euro and the entire eurozone, with serious social, cultural, political and economic repercussions. Even from a "normativistic" perspective, moreover, there really was no need to embark upon such path, because in the months leading to QE, M3 was slowly approximating the targeted growth rate of 4.5% that was stipulated in Maastricht, while the economies of the eurozone- in particular those of Spain, Ireland and Portugal, which had timidly embarked on the required structural reforms- were slowly recovering.[123]

The *quantitative easing* launched by Mario Draghi injected, during four consecutive years, an amount of new money equal to 10 percent of the GDP of the entire eurozone. After a brief pause in 2018, the

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[120] One must not forget that Mario Draghi was a disciple of two of the most famous Italian left-wing Keynesians, Federico Caffè in Rome, at the Università la Sapienza, and Franco Modigliani in the US, at the Massachusetts Institute of Technology.

[121] Huerta de Soto & Ferrero (2022), pp. 120-121.

[122] For an example of this attitude, see Elliott (2021).

[123] Huerta de Soto & Ferrero (2022), pp. 119, 120, 161.

program was resumed in late 2019.[124] The outcome was disastrous. By flooding the banking system and financial markets with unprecedented liquidity, this policy artificially brought interest rates close to or even below zero to the great detriment of savers as well as of investors further removed from the monetary transmission mechanism. Akin to a tax on savings and genuine, sustainable capital accumulation, economic actors were led, on the margin, to consume capital, overleverage and export their assets. The lowering borrowing costs and the financial repression that resulted from these lower interest rates, which led to the suppression of yields across a whole series of bonds and assets, moreover, brought both traditional savers and professional investors (including banks) in search of remuneration to take on excessive risks, which rendered the economy that much more fragile and susceptible to moment-to-moment oscillations. As the polish economist Arkadiusz Sieron pointed out: "In normal times, risk is seen as something negative, and individuals try to avoid it if possible. However, in an environment of very low interest rates, risk becomes more desirable and worth seeking".[125]

At the same time, quantitative easing and the zero or negative interest rate policies have served as a mechanism to finance, at zero cost, the public deficits of the various eurozone countries thereby blocking the incentive on the part of the rulers to reduce spending, do good finance, and carry out the structural reforms of economic liberalization that are needed to increase the competitiveness of the eurozone. The result? What Jesús Huerta de Soto has called the "Japanization of the European Union": that is, a situation in which the European economy, despite all attempts at monetary manipulation by the authorities, continues to remain atrophied, completely rigid, in a state of atony.[126] In this context, in addition to distorting the economic allocation of the market, easy and light money also ends up dampening the confidence, vigor and creativity of the entrepreneurial class.[127] Illustrating this lack

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[124] Huerta de Soto (2019).

[125] Sieroń (2020), p. 60.

[126] See Huerta de Soto & Ferrero (2022), pp. 119-123.

[127] Demoralization and loss of confidence in institutions, first and foremost in the market, is one of the cultural consequences of sustained inflation. Although an

of vigor is the striking presence of zombie companies throughout the Union and the ratio of non-performing loans to gross loans, concentrated especially in those peripheral countries- like Greece- that received the largest amounts of monetary aid.[128]

In March of 2020, together with the European Commission, the ECB announced the start of the *Pandemic Emergency Purchase Programme* (PEPP), which in real terms represents the eight programme of sovereign debt purchase. If one considers the PEPP in the context of these other programs, from April 2020 until June 2021, the ECB introduced a total of almost 2,6 trillion euros of new liquidity- almost 25% of the GDP of the entire eurozone. It substituted, in another words, financial markets with its printing press.[129] The ECB, through its large-scale asset purchases, inflated its balance sheet up to almost 700 billion euros and come to own around 30% of the public debts of member nations, thus becoming the greatest engine of redistributionist schemes, demagoguery and corporate welfare across the continent.[130]

This phenomenon, it is important to emphasize, has endangered not only the economy but the very identity of Europeans and their civilization. Nicolás Gomez Dávila observed that "civilizations die from indifference to the peculiar values that founded them."[131] Along with individual liberty, human dignity, equality before the law and the like, among the founding values of western civilization, one finds sound money. The latter, looked at both from an economic as well as a sociological perspective, enables the flourishing of individual autonomy, for as Lorenzo Infantino has nicely stated, "it makes possible […] cooperation for purposes that

extreme case, during the Weimar Republic, inflation completely exasperated the German people. As Zweig (2010) put it: "Nothing has made the German people - on this point one must always insist! - so bitter, so exasperated, so ripe for Hitler, as inflation. The war, despite its massacres, had also brought hours of jubilation, with bells ringing and victory fanfares. The German nation, incurable militarists, had felt elevated in its pride for those temporary victories, while inflation had only sullied, deceived and disheartened it. A whole generation did not forget or forgive the republic these years and preferred to recall its own executioners", p. 252.

[128] See Statista (2022).

[129] Kerr, Lyddon, & Colombatto (2021).

[130] See Statista (2021).

[131] Gómez Dávila (2009), p. 48.

do not have to gain the acceptance of others [...] we normally provide others (and others provide us) with the means necessary to achieve ends that we do not know and which, if we knew, we might not share".[132] Sound money also allows for a more genuine representation, for in the absence of a direct revenue source coming from the monopolization of an elastic money ("seignorage"), the government is required to justify before its citizens its expenses and the increased taxes necessary to finance them .

The philosopher of law, Carlo Lottieri, highlighted how a key element of our state-centric modernity, the gradual disappearance of gold over the centuries-historically the sound money par excellence-as a "universal means of communication"- contributed to a more "general tragedy of representation" that ultimately resulted in twentieth-century totalitarianisms: "The 'short century' was also the era of a manipulated money capable of dissolving in a short time [...]".[133] It was precisely after understanding the intimate and consubstantial relationship between monetary stability and political freedom that Luigi Einaudi, "the father of the fathers of Europe,"[134] called for the abolition of monetary nationalism and the adoption of the single currency. As he lamented in the mid 1940's: "Whoever remembers the bad use that many states had made and are making of the right to mint currency cannot be in doubt with respect to the urgency of taking away from them such a right [...] The devaluation of the Italian lira and the German mark, which ruined the middle classes and made the working classes discontented, was one of the causes from which arose the bands of unemployed intellectuals and troublemakers who gave power to the dictators. If the European federation takes away from the individual federated states the possibility of coping with public works by groaning at the ticket press and forces them to provide solely with taxes and voluntary loans, it will have, for that alone, accomplished great work."[135]

These expansive monetary policies, which gave rise to the japanization of the European Union, set the stage for the institutional

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[132] Infantino (2008), p. 312.
[133] Lottieri (2015), pp. 111, 113, 115.
[134] Santagostino (2017).
[135] Einaudi (1986; originally published in 1944), pp. 131-132.

instability we experienced during the last pandemic. Indeed, we should ask ourselves: would this typically socialist management of the pandemic have been possible in the absence of a fiat currency? Would we have witnessed such economic paralysis if policymakers had been disciplined by a sound monetary framework like the classical gold standard or more generally by once based on a market selected commodity? Could the ubiquitous servility of the citizens before their rulers that we have seen in recent months and that would have surprised even Etienne de la Boetie have lasted so long in the absence of a lender of last resort that seems answerable only to God (and sometimes conceives of itself as God) and is able to print all the needed liquidity necessary to keep the monetary system on its feet and generate the illusion of an economic recovery promoted from above? The answer should be clear to everyone. As that joyous libertarian of H.L. Mencken[136] understood, the state "depends upon the credulity of man quite as much as upon his docility. Its aim is not merely to make him obey, but also to make him want to obey".[137] "The triumph of power", in the words of Carlo Lottieri, "is not passive obedience but active participation".[138]

As we know since the times at least of the great 19th century French classical liberals, Benjamin Constant and Alexis de Tocqueville, the difference between an authoritarian regime and a totalitarian state lies in the fact that where the former rules by 'coldly' imposing silence *ad extra*, the latter dominates paternalistically, minutely and *ad intra*, condemning the individual to speak and to identify his conscience and destiny with the state.[139] This

[136] Rothbard (1962), pp. 15-17.

[137] Mencken (1967), p. 217.

[138] Lottieri (2021).

[139] "Despotism", observes Constant (2009; originally published in 1814): "stifles the freedom of the press, usurpation makes a parody of it [...] Despotism, in short, reigns through silence and leaves man with the right to be silent; usurpation condemns him to speak.", p. 145. In Tocqueville (2000; originally published in 1836) the risk of a new despotism establishing itself in Europe as the product of political centralization and the diffusion of the equality principle, which was day by day was leading to a homogenous mass society (something by the way he considered to be a "Providential fact") was one of, if not, the central concern of his writings, as can be evinced especially in the second volume of *Democracy in America*. As he put it: "It seems that if despotism came to be established in the democratic nations of our day, it would have

idea would be echoed more recently by scholars of the totalitarian phenomenon, from George Orwell to Hannah Arendt. In one of her most famous books, the German philosopher makes it clear that through the ideological manipulation of reality, modern totalitarian states attempt to dominate from within the conscience: "Totalitarianism is never content to rule by external means, namely, through the state and a machinery of violence; thanks to its peculiar ideology and the role assigned to it in this apparatus of coercion, totalitarianism has discovered .a means of dominating and terrorizing human beings from within. In this sense it eliminates the distance between the rulers and the ruled […] Hitler […] expressed it once in a speech addressed to the SA: "All that you are, you are through me; all that I am, I am through you alone".[140]

To this end, one of the most effective means at its disposal is the monopoly of paper money issuance, since through its mechanisms the state is able confiscate, as even John Maynard Keynes once admitted, a great portion of national wealth secretly and arbitrarily, illuding the population that the government is somehow endowed with the magical power of creating unlimited resources out of nothing.[141] Not coincidentally "mephistopheles' recipee" consisted in this very same practice.[142]

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other characteristics: it would be more extensive and milder, and it would degrade men without tormenting them […] I see an innumerable crowd of like and equal men who revolve on themselves without repose, procuring the small and vulgar pleasures with which they fill their souls. Each of them, withdrawn and apart, is like a stranger to the destiny of all others […] if a family still remains for him, one can at least say that he no longer has a native country. Above these an immense tutelary power is elevated, which alone takes charge of assuring their enjoyments and watching over their fate. It is absolute, detailed, regular, far-seeing, and mild […] It willingly works for their happiness; but it wants to be the unique agent and sole arbiter of that; it provides for their security, foresees and secures their needs, facilitates their pleasures, conducts their principal affairs, directs their industry, regulates their estates, divides their inheritances; can it not take away from them entirely the trouble of thinking and the pain of living? […] Equality has prepared men for all these things: it has disposed them to tolerate them and often even to regard them as a benefit", pp. 650-652.

[140] Arendt (1976), p. 325. What comes out of this profound observation by Arendt is the complementarity between totalitarianism and democratization of the political and social order. The classic work, in this regard, is Talmon (1961).

[141] Keynes (1971; originally published in 1919), pp. 148-149.

[142] Zweig (2010), p. 322.

3. **Socialism, war and the hubris of central planning**

3.1. *The Return of War Socialism and the technocratic revelation of the state*

In this context, it is worth recalling what a great social scientist such as Friedrich von Hayek pointed out, namely that the *de facto* management of the means of production by a central authority inevitably opens the door to the imposition of a hierarchy of ends and values and thus to the abolition of individual freedom of choice.[143] The political management of the pandemic, in other words, in hampering work and economic activities has not simply compromised a couple of GDP points, but has endangered human life itself. An argument, the latter, that the Austrian economist developed based on what Hilaire Belloc had brilliantly grasped: "Man, like every other organism, can only live by the transformation of his environment to his own use […] Without wealth man cannot exist. The production of it is a necessity to him […] Therefore, to control the production of wealth is to control human life itself. To refuse man the opportunity for the production of wealth is to refuse him the opportunity for life; and, in general, the way in which the production of wealth is by law permitted is the only way in which the citizens can legally exist."[144]

What has happened in recent months can also serve as an illustration of Ludwig von Mises's great lesson: by its very nature, obstinate interventionism leads, in the long run, given the complexity, interdependence and dynamism of the social body, to ever more extensive, acute and capillary dirigisme that eventually atrophies society.[145] After all, as Mises himself was keen to point out in *Human Action*, the mixed economy or third way, the stated dream

[143] See Hayek (2007; originally published in 1944).

[144] Belloc (2007; originally published in 1946), p. 11.

[145] "The various measures, by which interventionism tries to direct business, cannot achieve the aims its honest advocates are seeking by their application […] If governments do not give them up and return to the unhampered market economy, if they stubbornly persist in the attempt to compensate by further interventions for the shortcomings of earlier interventions, they will find eventually that they have adopted socialism". Mises (1998; originally published in 1940), p. 91.

of many repentant socialists, is a dangerous fantasy, for there cannot be any assimilation between a free economy and dirigisme: "there is no such a thing as a mixed economy, a system that would be in part capitalistic and in part socialist. Production is directed either by the market or by the decrees of a production tsar or a committee of production tsars".[146]

Philipp Bagus, following in the footsteps of Mises' writings, has highlighted how the socioeconomic framework that arose in the wake of the health emergency bears important and obvious similarities to the wartime socialism that was established in Western countries during World War I.[147] Starting with the rhetoric. From Emanuel Macron to Pedro Sanchez, from Boris Johnson to Mario Draghi, the rhetoric has always been the same: "we are at war, and we must win it whatever it takes." As will be explained later, the idea that the West has fought and is fighting a war is also a falsification of reality: all our capital assets, in fact, continue to remain at our disposal as well as much of the labor force (not only does the virus have a low overall lethality, but only a small fraction of the people at risk makes up the labor force). However, there is no doubt that the governing authorities have put into practice many of those measures that in the past were reserved for war conflicts-from price controls on certain "essential" goods to direct seizures of materials considered of national interest, from unconventional methods of public financing to the disruption of the international division of labor-and that to this end the call for war has been of great use for the further mechanicalistic drift in politics and the further instrumentalization of fear.

We say further because the state, the real cancer of modern politics, is ontologically technocratic and, since its very inception, has utilized fear as its *instrumentum regni*.[148] This can be seen in the works of its main theorists, such as Niccolò Machiavelli, Jean Bodin and Thomas Hobbes. In the eyes of the Italian Philosopher Benedetto Croce, Machiavelli's most enduring contribution to political thought was his formulation of the autonomy of poli-

146 Mises (2008; originally published in 1949), p. 259.
147 Bagus (2020).
148 On the genesis of the concept of state and its implications, see Miglio (2007).

tics.[149] As Isaiah Berlin, Quentin Skinner, Leo Strauss, Francisco Elias de Tejada and Murray N. Rothbard among others have argued, however, this must be intended not as the simple substitution of a descriptive for a prescriptive analysis but rather as the development and advocacy of a new kind of morality, one that finds its locus point outside and against the tradition of natural law, Christian philosophy and classical humanism.[150]

First in *The Prince* and subsequently in the *Discourses on the First Ten Books of Titus Livy*, Machiavelli reformulated the concept of virtue, which traditionally was tied to honesty, prudence, integrity, centering it on political expediency and pragmatism.[151] The art of government, now disengaged from Christian morality, became a purely self-referring, technical matter, aimed solely at maintaining and expanding state power, by alternating good and bad behavior according to the dictates of circumstances (always conscious that to be feared is better than to be loved and that punishment should take precedence over clemency) and articulating "a behavior based on deception: even with regard to his friends, associates, subordinates".[152] In the view of the Spanish philosopher of law, Francisco Elias de Tejada, Machiavellianism ultimately amounted to "the paganization of morality", transposing and translating Luther's mechanicism (which the Augustinian monk applied to the conscience) to the area of behavior and conduct.[153] It was the beginning, as Friederich Meinecke pointed out, of the doctrine of *Raison d'etat*, which would present itself as a bridge between *cratos*, action guided by mere power instict and *ethos*, action invested with an inward-looking moral responsibility.[154]

This line of thought was adopted and expanded by several influential humanists and classical scholars across Europe- Giovanni Botero in Italy, bishop Stephen Gardiner in England and

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149 Croce (1925), p. 60.

150 Berlin (1972), pp. 147-206; Skinner (1978), pp. 128-138; Strauss (1958), pp. 9-14 and pp. 232-245; Tejada (1954), p. 39; Rothbard (1995), pp. 188-194.

151 Machiavelli (2012; originally published in 1532), book VII; and Machiavelli (1998; originally published in 1531).

152 Lottieri (2011), p. 97.

153 Tejada (1954), pp. 39-40.

154 Meinecke (1957).

Justus Lipsius in Holland.[155] The result was to institutionalize a dichotomy between the principles guiding and justifying the actions of technicians in charge of the state apparatus and those of an ordinary citizen. With Jean Bodin and his *Six livres de la Republique,* what we have is the further intensification of this divide that will characterize political modernity from the era of absolute monarchies to that of democracies. Through the formulation of the theological-political concept of sovereignty, Bodin endowed the king with a new concept and function, which made him the absolute, perpetual and indivisible authority over his commonwealth, bound on this earth by no other countervailing power other than the God given precepts of natural law.[156]

Thomas Hobbes, on his part, embedded in a materialist, nominalist and atheist mindset, was led to a pessimistic anthropology in which egoism, represented by people's sole desire for corporeal self-preservation and the avoidance of fear, was the only virtue left for mankind, which he reduced to matter in motion. Starting from this framework Hobbes justified the emergence of a Leviathan- a term used in the Bible with reference to Satan- on the assumption, historically and sociologically unfounded,[157] of a state of nature dominated by mutual insecurity and fear-*homo homini lupus est*.[158] In order to avoid a war of all against all- *bellum omnium contra omnes*- individuals, in the eyes of the English philosopher, were required to surrender their freedoms, which he understood in a purely naturalistic sense as manifestations of arbitrary will,[159] to a sovereign, monopolistic and absolute ruler- that mortal God called

[155] Rothbard (1995), pp. 197-199.

[156] Bassani & Lottieri (2003), pp. 39-40.

[157] As Rothbard (1994) underlined towards the end of his life "everyone is necessarily born into a family, a language, and a culture. Every person is born into one or several overlapping communities, usually including an ethnic group, with specific values, cultures, religious beliefs, and traditions", p. 4. For a succinct and clear rebuttal of Hobbes's justification of government, see Long (2005), p. 5-6.

[158] Hobbes (2017; originally published in 1651), p. 114.

[159] This naturalistic and voluntaristic notion of human freedom clearly comes out in Hobbes contraposition between law and natural liberty: "And law was brought into the world for nothing else, but to limit the natural liberty of particular men, in such manner, as they might not hurt, but assist one another, and join together against a common enemy". Hobbes (2017; originally published in 1651), p. 178.

state- capable of superimposing his will and forcing people to obey.[160] For Hobbes, in fact, "covenants, without the sword, are but words, and of no strength to secure a man at all".[161] This view ultimately fed into one of the first expressions of legal positivism: whatever was left of natural law was absorbed by civil law, and *auctoritas non veritas facit legem*.[162]

3.2. *History, Democracy and Militarism*

Philosopher Giorgio Agamben recently recalled how between war and the all-powerful state there is an intimate and consubstantial link-a theme very dear to lovers of freedom. "War," noted, the American intellectual Randolph Bourne, "is the health of the state" and achieves "for a national almost all that the most inflamed political idealist could desire". In war, Bourne continued, "citizens are no longer indifferent to their government, but each cell of the body politic is brimming with life and activity. We are at last on the way to full realization of that collective community in which each individual somehow contains the virtue of the whole [...] The State is intimately connected with war, for it is the organization of the collective community when it acts in a political manner, and to act in a political manner towards a rival group has meant, throughout all history-war."[163] Peace, thanks in part to its most intimate and eternal allies (first and foremost, commerce),[164] Agamben observes, by leading man out of the grandiose schemes of history-"life in peace is by definition without History"-is in the long run ungovernable and unbearable for the political caste.

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[160] Lottieri (2013), pp. 17-24.

[161] Hobbes (2017; originally published in 1651), p. 111.

[162] Not coincidentally Hobbes was opposed not only to classical natural law, as formulated by the "schoolmen", but also to the historical and evolutionary common law. On Hobbes as an intellectual precursor of legal positivism, see Coyle (2003), pp. 243-270.

[163] Bourne (1998; originally published in 1947), pp. 9-10.

[164] As the great German sociologist, George Simmel (1990; originally published in 1900), wrote: "inter-individual exchange [... is] simply a peace treaty", p. 99. It is not surprising, in fact, that already in the late Middle Ages the workers in Amsterdam chose the words *Pax et Commercium* as motto of their harbor.

Precisely because it is far removed from warlike abstractions and attached to the reality of personal desires, feelings and thoughts, life in peace in fact tends "by its very nature to escape calculation, planning and rules-or, at least, this is the secret fear of power." To call its subjects back to order and restore the primacy of history-"without which ultimately no power is conceivable"-this one is thus forced to invoke war-the springboard to "a new historical epoch, in which nothing will be as before."[165] From this, it follows that while the state needs history in order to guard its power and prevent its subjects from escaping its control, at the same time the invocation of history needs war-whether real or invented-to awaken in the minds of citizens the idea that they are witnessing a before and an after, the end of one era and the beginning of another. It is precisely in anticipation of a new normalcy, marked by the war on the virus, that the State of Exception, that order in which the legal norm bends totally to the pure and absolute decision of the sovereign, has been able to be established in the last three years.[166]

The aforementioned reasoning, we might add, although general, applies especially to the democratic state-which established itself between the French Revolution and the Great War-whose legitimacy, compared, for example, to traditional monarchies, rests entirely on intellectualistic, ideological and anti-historical foundations (think, for example, of the artifice of the social contract, present only in the dreams of a few romantic intellectuals a là Rousseau). This is one of the points around which Swiss philosopher Carl Ludwig von Haller's magnum opus, *The Restoration of Political Science*, revolves.[167] Reflecting on the role of natural law in the thought of this great political theorist which has been described as "the most Aristotelian" among the counterrevolutionary figures[168] as well as "a precursor of a realistic-right libertarianism […] of a private law society"[169], Guglielmo Piombini has made clear the struc-

165 Agamben (2021).
166 Schmitt (2013; originally published in 1932).
167 Haller (1963; originally published in 1824).
168 Turco (2020), p. 16.
169 Hoppe (2021).

tural difference that exists, in the Swiss philosopher's eyes, between the power exercised by a democratic leader and that exercised by a traditional monarch: "the former is based on entirely imaginary and fictitious titles that no one can show, because they are invented out of whole cloth (who has ever signed a "social contract" or a power of attorney that contemplates a "non-imperative mandate"?); the second, on the other hand, is based on titles that do in fact exist, and can be produced in front of everyone if necessary. Indeed, the historical archives contain the documents that substantiate how the domains of the ruling houses and noble families were acquired through purchases, marriages, inheritances, treaties or other conventions with the former owners."[170] A similar analysis was offered to us, in more recent times, by the Spanish philosopher Ortega y Gasset upon pondering the reasons for the radical extension of state power at the expense of society that has occurred with the advent of modern democracy in comparison with the ancient regime. If, according to Ortega, an answer can be found in the development of new technical structures and rationalizing tendencies, these by themselves could not exhaust the explanation. The other essential element is the diminished "sense of historical responsibility"[171] that permeates popular sovereignty.

On the basis of this structural difference between the two orders in regard to history, a different relationship with war could not fail to develop: circumscribed and limited in time in a hierarchical-traditional order, total and perpetual in democratic-horizontal orders. It is no accident, in fact, that the compulsory *levée en masse* appears for the first time in history with the French Revolution, in 1793.[172] If traditionally the people were, as Voltaire once observed, "indifferent to their rulers' wars",[173] with the coming of democracy and the entrance of the masses in the body politic, war arrived at the doorsteps of the private conscience. As Mises emphasized: "Modern war

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170 Piombini (2003), p. 160.

171 Ortega y Gasset (2019; originally published in 1930), p. 167.

172 According to the intellectual historian Erik von Kuehnelt-Leddihn democratic warfare tends to become total because of its ideological nature and its inability to act historically. See Kuehnelt-Leddihn (2000), pp. 1-41.

173 Cited in Benda (1927), p. 253.

is not a war of royal armies. It is a war of the people, a total war […] Army and people are one and the same. The citizens passionately participate in the war. For it is their state, their God, who fights".[174]

To return to the semblance with wartime socialism in the early twentieth century, consider, moreover, the tyranny of experts that continues to dominate public opinion and direct the actions of governments today as it did then. If during the Great War, power in many ways passed into the hands of the army and military leaders-see General Ludendorff in the Germany of Kaiser Wilhelm II, described by Mises in those years as "an all-powerful dictator",[175] today power chases the opinions of experts in the medical-health field. Just think of the importance that people like Anthony Fauci in the United States, Fernando Simon in Spain, Christian Dorsten in Germany, and in Italy the much-acclaimed virologists, from Massimo Galli to Andrea Crisanti, "have become real influencers."[176]

If during the Great War mankind had witnessed the outcome of that process, characteristic of the so-called "new politics", which the great German historian George Mosse defined with the formula "nationalization of the masses,"[177] in the past few years one has witnessed something analogous, as the state apparatus and its scientific, cultural and mediatic allies embarked on a policy national medicalization. Just as in the total wars of modernity, the difference between combatants and noncombatants, between civilian and military life, was lost sight of. Every citizen was seen as a potential soldier in the hands of public power who must be subjected to constant inspections, checks, bans, tests and health passes in order to emerge from the trenches unblemished. The people, "essentially a great family of different but harmonious souls united by what is common to them," has become precisely masses, "with their great empty, collective, enslaved soul," and the person has thus been annulled and reduced to mere numbers, as "in the great urban concentrations of socialist societies."[178]

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174 Mises (1969), p. 108.

175 Mises (1944), p. 40.

176 Corbellini & Mingardi (2021), p. 226.

177 Mosse (2009; originally published in 1974).

178 Corrêa de Oliveira (2014; originally published in 1955), p. 36.

3.3. *Central planning as hybris and chaos*

Analyzing the situation in economic terms, all these measures have provided us, in real time, with yet another proof of the hybris that permeates any model of socioeconomic organization based on the single state plan, since it is theoretically impossible that technocrats such as civil servants, men of flesh and blood like everyone else, can determine ex ante, given the complexity of the economic order and the ever-changing circumstances of time and place-think, for example, of the set of means and ends that we incorporate ex novo into our individual plans every day-the marginal utility of various economic goods and consequently their degree of "essentiality."[179] In the present case, they face three structural problems. First, they do not possess the relevant information about the thoughts and beliefs of the millions of consumers they must govern, thus of their preferences and the intensity with which they end up preferring A to B. This "information," in fact, in addition to being widely dispersed within society, is fundamentally subjective in nature, and in order to be "actualized" in Aristotelian-Thomist terms, it requires competitive markets that arise and are maintained by the entrepreneurial function and the free play of supply and demand.

Second, planners cannot fully comprehend and take into account at any given time, given that the modern production structure rests on a complex horizontal and vertical division of labor and on sets of heterogeneous and multi-specific capital goods that are continuously combined and recombined by an army of private entrepreneurs,[180] all the intermediate stages that cooperate with each other to sustain and complete the final production of those goods and services desired by consumers, in the quantities and qualities they demand. To bring this point home, the Italian econ-

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[179] Storr, Haeffele, Lofthouse & Grube (2021).

[180] The idea that the entrepreneurial process consists of a continuous combining and recombining heterogenous capital resources was neatly remarked by Ludwig M. Lachmann (1978; originally published in 1956): "We are living in a world of unexpected change; hence capital combinations, and with them the capital structure, will be ever changing, will be dissolved and re-formed. In this activity we find the real function of the entrepreneur", p. 13.

omist Antonio Martino, recalled an interesting episode worth reproposing. Many years ago, the state of Idaho had to destine an industrial field for the construction of an automobile factory. Influenced by nationalistic convictions and wanting to foment domestic manufacturing it chose Chrysler over Honda. In making this decision, however, the state governors did not realize that Chrysler's components came from Japan, while Honda's components were manufactured in the US.[181]

Every consumer good, in other words, is directly and indirectly linked to a whole series of people, production processes, resources and capital goods that are different and distant from each other, which means that the suppression of a good or sector that in the eyes of policymakers may seem superfluous, often has unexpected, negative repercussions in the short, medium and long term on the entire structure of production, including those goods arbitrarily considered essential by the political authorities.[182] As various economists have pointed out: "Even though it may seem like common sense that people need food, shelter, utilities, and medical care, policymakers cannot know all the constituent resources, intermediate goods, and production processes that go into the production of even just these essential goods. Policymakers also cannot know all of the complementary goods and services that make the production and provision of essential goods possible".[183] The only way to unveil these "facts" and guarantee the smooth functioning of production both through and across time is ultimately through the free and competitive actions and interactions of businessmen, workers, landowners and capitalists: "It is only through the spontaneous order of the market process that complex economic interdependencies can function smoothly and reliably, resulting in the goods and services that consumers desire being in adequate supply and available for purchase".[184]

The unintended consequences of these legislative measures have been, and in many ways continue to be, that of making a

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181 Martino (2004), p. 60.

182 For an elaboration of this point, see Ebeling (2020b).

183 Storr, Haeffele, Lofthouse & Grube (2021), p. 12.

184 *Ibidem*.

whole series of goods scarcer and thus more expensive, both in monetary and non-monetary terms (greater waiting lists, cues, decreased service quality etc.) than they would have been in the absence of such interventions. This has reduced the real purchasing power of consumers, as well as the immediate availability of more and better alternatives on the market. On top of this these restrictions created a wedge, across multiple sectors of the economy, between production and consumption that led to a serious of gluts and shortages, leading to the accumulation of the building up of what Richard Ebeling has called "paradoxical savings", which would have not have persisted had the government not restricted production and access to markets, barring "the doors to the factory entrance and the shopkeeper's counter" .[185] In addition, lacking one or more factors of production, entrepreneurs have been forced into continuous organizational and productive upgrading, a costly endeavor precisely because modern economies rely on a capital structure whose components are not perfectly interchangeable. The result of all this, even from the point of view of the planning authorities, has been a permanent revolution in the classification of assets, resources and goods deemed essential.

In addition to the above problems, there is a third, again structural in nature. Given and considering that preferences are subjective and thus impossible to be measured and "socialized", that supply chains are multi-dimensional, complex and interdependent, and that circumstances of time and place are constantly changing, policymakers must rely on a feedback mechanism which enables a continuous revision of previous decisions on the basis of relevant data as well as the means- intellectual and material- for error correction and the implementation of the most accurate policy. Yet in contrast to entrepreneurs situated in a competitive free market, who, thanks to the institution of private property and its derivatives- entrepreneurial judgment, individual responsibility, rivalrous competition, free market prices, profit and loss calculations-operate within an institutional habitat that provides them with the incentives, opportunities, signals and compasses needed

[185] Ebeling (2020c).

to give rationality to their decisions, discover and (especially) appraise what consumers demand with greater or lesser intensity, compare the efficiency of their own operations with those of their competitors and thus identify the formula for minimizing costs, judge and reformulate their expectations based on emerging data, and adapt flexibly and efficiently to new surrounding realities in order to personally derive the greatest benefit, things are radically different for members of the political apparatus.[186]

Members of the political class follow ontologically coercive, redistributive and bureaucratic dynamics and operate outside the entrepreneurial process which, as Lorenzo Infantino likes to say, is a process of exploring the unknown and correcting mistakes.[187] Indeed, assigning the direction and guidance of economic affairs to government is very dangerous because, as Israel M. Kirzner notes, "there is no guarantee that government officials capable of perceiving market conditions more accurately than others will systematically tend to replace less competent regulators. There is no entrepreneurial process going on, and there is no indicator, such as entrepreneurial profit or loss, that can easily indicate where mistakes have been made and how they should be corrected."[188] Absent, in other words, that competitive entrepreneurial process which operates a moment to moment selection mechanism that weeds out bad forecasters of economic conditions while simultaneously diverting greater capital and thus "market" authority to those that better preserve society's resources in the face of change and disequilibrium, government intervention and decision-making, instead of achieving the desired end, promotes discoordination, social disorder, erroneous information and irresponsible behavior.[189]

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186 Rothbard (1956), pp. 40-41.

187 Infantino (2019).

188 Kirzner (1985; originally published in 1978), p. 140.

189 See on these effects Huerta de Soto (2010a), pp. 74-77.

4. **The path toward recovery: sustainable and unsustainable**

4.1. *Dynamic Efficiency versus Next Generation EU*

Compared to all financial crises that follow prolonged processes of credit expansion, however, we must still recognize that in the case of the current pandemic we do not restart from a concentration of bad investments of the means of production (as happened, for instance, in 2008 in relation to real estate) that could justify a high and long-lasting structural unemployment rate. On the contrary, and despite the all-encompassing and indiscriminate lockdowns that have crippled the economy and demoralized an entire entrepreneurial class, the rate of time preference and the capital goods structure have largely remained intact, and it is therefore still possible to reallocate factors of production sustainably, rapidly and permanently.

Recovery, however, will not be able to come from either the government or its officials, but only from an army of confident entrepreneurs: the only ones willing to put their capital on the line and able to make the most appropriate decisions in their coordinates of time and place. For them to be able to identify and take advantage of the opportunities that are beginning to emerge, however, it is essential that the free exercise of the entrepreneurial function is not impeded. It is necessary, in other words, if one aims at recovering the lost productivity and adjust the structure of production to the new state of affairs, to liberalize all markets and, in particular, the labor market and the market for the rest of the factors of production, eliminating all regulations (minimum wage, income guarantee, layoff freeze, etc.) that stiffen the economy, create unemployment and block the dynamic efficiency of the market, inhibiting social maladjustments, which continuously manifest themselves in discrepancies between factor prices and their estimated discounted marginal value products, to be appraised and cured.[190] In addition, the public sector must not extract those resources that, especially in moments of general apprehension and need, are demanded by businesses and economic agents to restore

[190] See Huerta de Soto (2010b).

their finances and economic conditions. This would imply moving toward an across-the-board reduction in taxes that leaves the greatest number of valuable resources at the disposable of households and firms and, above all, frees corporate profits and capital accumulation from taxation as much as possible.[191]

It should be remembered that in a market economy, profits are the essential signals and means that entrepreneurs draw on in order to identify, undertake and sustain the most urgent investments from the point of view of consumers. Profit, strictly speaking, does not emerge from the mere possession and employment of capital, as Marx erroneously believed, but rather from man's successful economizing in a dynamic and uncertain environment, from the purposeful and judicious combination and allocation of material and mental resources toward the greatest satisfaction of human needs as gauged from future market conditions. It is thus the instrument, along with losses, through which production is "rationalized" and capital handed over to those better able to serve consumers in an ever-changing world. For this reason, Ludwig von Mises stressed that "taxing profits is tantamount to taxing success in best serving the public"[192] and that all such measures inevitably "loosen the grip the consumers hold over the course of production" with the consequence of making the economic system inevitably "less efficient and less responsive".[193]

For its part, capital accumulation is a *conditio sine qua non* for raising the marginal productivity of labor and thus real wages.[194] The inheritance tax that some governments, such as the Italian and the Spanish ones, have proposed to introduce or tighten in the aftermath of the lockdowns, is nothing but a pure tax on wealth and capital and as such highly deleterious to precisely those people who are supposed to be its beneficiaries, namely the workers, especially the relatively less skillful among them.[195]

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[191] On what is needed to prevent business cycles and recover as fast as possible from an economic recession, see also Huerta de Soto (1998), pp. 432-440.

[192] Mises (2003b; originally published in 1951), p. 21.

[193] Mises, (2003b; originally published in 1951), p. 23.

[194] Huerta de Soto (2012d), pp. 147-153.

[195] Huerta de Soto (2022). On the negative effects of taxing capital, see also Rothbard (2006), pp. 137-145.

Among the various taxes on capital, moreover, the inheritance tax is probably the most damaging considering that the ability to freely increase and pass on one's wealth from generation to generation has been, since time immemorial, the main incentive to accumulate capital over the long term to begin with and enhance and preserve those time honoured institutions, such as the family, that are the basis of civilization. Any measure that redistributes income through "political means,"[196] in addition to hindering the wealth generating process ends up transferring decision-making power and authority from the individual to the state, thus endangering those voluntary associations and natural elites to the detriment of the weakest and most vulnerable.[197] The withering away of social authority, in this sense, poses a serious risk to the very foundation of freedom. "The impulse of freedom," pointed out American sociologist Robert Nisbet, "can survive anything but the destruction of its contexts; and these are contexts of authority, a legitimate authority that is inseparable from institutions."[198]

If it is not the time for governments to "take," it should be added that it is also not the time for governments to "give." In order to "give" more, first of all, the government must necessarily be able to "take" more from citizens and businesses, for it does not, by definition, have resources of its own. Moreover, economically speaking, the problem concerns government use and control of productive resources, not the way in which such control is obtained. For this reason, the intent on the part of eurozone countries to promote recovery by leveraging public spending and debt, through the mechanisms put in place by the European Union with

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[196] The expression comes from Franz Oppenheimer. According to Oppenheimer, there are two and only two methods available to mankind to obtain the resources needed to satisfy his desires: on the one hand, the method of voluntary production and exchange (which he calls 'economic means') and, on the other hand, the forced appropriation of the labor of others (which he calls 'political means'). In the German sociologist's scheme, the state represents "the organization of political means". Oppenheimer (1926), pp. 24-27.

[197] On the deleterious social effects of political (forced) redistribution and the welfare state, which has established all across the west since World War II, see Jouvenel, (2008; originally published in 1951); Banfield (1974); Murray (1984).

[198] Nisbet (1975), p. 9.

its bombastic Next Generation EU program, should be viewed with utmost concern. This program envisages, mainly through the *Recovery and Resilience Facility*, the allocation of 750 billion (390 in transfers and 360 in the form of cheap loans) among the 27 member states to finance green transition, digitalization, infrastructure development and social inclusion. Another constructivist and Cartesian socioeconomic engineering plan, driven by that fatal arrogance that abounds in the soul of the central planner, who pretends to know everything and is bent on directing and fabricating everything, wiping the slate clean not only of subjective preferences, of competition and entrepreneurship but of economic science itself. We were already warned against this dirigiste drift by Friedrich von Hayek on the occasion of the Nobel Prize awarded to him in 1974,[199] and well before him, a great doctor of the Church such as St. Thomas Aquinas recognized the importance of curbing those "who have such a presumptuous opinion of their own ability that they deem themselves able to measure the nature of everything" since presumption is "the mother of error."[200]

By the time the billions will arrive from Brussels, the eurozone economies will be recovering on their own. Which means that this shower of dough will absorb and divert scarce resources that are essential for the private sector to initiate and complete the needed investment projects. The latter, being voluntarily financed based on real profitability, are the only ones capable of creating wealth on their own and generating sustainable employment in the short, medium and long term. In contrast, public investments, coercively financed based on momentary party consensus, consume wealth and generate a level and structure of employment which run contrary to economic rationality and which are necessary precarious, based as they are purely on the arbitrary decisions of whoever is in power in a given moment. Recent developments in Italy demonstrate precisely this point. In 2020 the Conte government decided, with his *decreto Rilancio*, to incentivize works for energetic

[199] Hayek (1974).

[200] Aquinas (1955; originally published in 1258-1264), p. 70. Specifically, according to *Doctor Angelicus*, in order to put a brake on the presumptuous, God gave man a series of revealed truths.

improvements by establishing a new 100% home bonus policy and allowing construction companies to leverage on previous bonuses by proposing invoice discounts. A boom in construction investment and employment soon unfolded. When Mario Draghi, however, replaced Conte in 2021, he denounced a series of scams related to these bonus policies and decided consequently to change the rules regarding such credit transfers. He decided to block the possibility for construction enterprises to sell their tax credits (mainly to the banks), thinking this would eliminate the incentive for further invoice discounts. This move, however, created enormous financial difficulties for those companies and their workers that accumulated credits without having yet transferred them. *Confederazione Nazionale dell'Artigianato e della Piccola e Media Impresa*, an association representing the interests of craftmanship and small/medium enterprises, reported that the companies that in the aftermath of Draghi's changing policies were on the brink of failure amounted to 33.000.[201]

On top of this, one must mention that in collecting, channeling and monitoring the resources extracted from private property owners, governments are highly vulnerable to the pursuit and maintenance of the corresponding political patronage. Unlike market participants, who are led as if by an invisible hand to undertake actions that increase value and minimize costs, the political priority of the public sector leads its constituents toward maximising costs and engage in socially (yet not politically) wasteful expenditures. According to Huerta de Soto, the injection of public spending promoted by the Zapatero government after the 2008 crisis (Plan E) and Abenomics in Japan, are clear examples of these tendencies[202]

4.2. *The curse of democracy and public spending: do we really need a new Marshall Plan?*

As the greatest sociologists of the Italian elitist school (Gaetano Mosca, Vilfredo Pareto, Roberto Michels) as well as exponents of

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[201] Porro (2022), pp. 44-46.
[202] Huerta de Soto (2017).

the Public Choice school (James Buchanan, Gordon Tullock, Mancur Olson) have taught us, the democratic political apparatus consists of a minority of self-interested and well-organized individuals whose main focus is in the next round of elections as a way of maintaining themselves in power.[203] Entrepreneurs, on the contrary, have a time horizon even beyond their own lifespan, as they can leave the company and their wealth to their heirs. They are forward-looking. The Democratic politician, on the other hand, has an interest in maximizing tomorrow's vote so that he can continue to grab whatever he can. It is the same institutional framework that inevitably pushes them toward a myopic vision and incentivizes them toward misbehavior.[204] There is a fact as simple as it is revealing. In the 160 years of the life of the Italian state, only on three occasions has the budget been balanced: twice during the monarchical phase (in 1876 under Minister Minghetti and in the three-year period 1893-1896 under Minister Sonnino) and once during early fascism, in 1925, under Finance and Treasury Minister Alberto De Stefani.[205] Never in

[203] Exponents of the Public Choice School of thought have explained the reasons for the inefficiency of the democratic political system in the management of public resources, putting an emphasis on the following points: 1) the effect of rational ignorance, 2) the effect of interest groups, 3) the effect of non-binding representation, 4) governmental myopia, and 5) the lack of incentives to act efficiently. Huerta de Soto (2017 ; originally published in 1987), pp. 32-35. See also Ferrero (2020b).

[204] Huerta de Soto (2012e), p. 253.

[205] By virtue of the policy of containment initiated by De Stefani, which granted the market greater freedom of action through a series of liberal measures (limitations on the issue of government bonds, lowering of direct taxation, greater deregulation to favour development, privatization of many sectors, etc.) historians and social scientists often speak of a 'liberal phase' of Fascism. However, as Beniamino Di Martino points out in his latest book, *Stresso nel Fascio. Nazi- fascismo contro l'individuo*, it would be more appropriate to speak of "a series of measures that responded fundamentally to the direction given by De Stefani [...]" and that had very little to do with the essence of fascist corporatism. De Stefani, in fact, was soon done for and "Fascism's economic policies returned to their congenial orientation by embracing the Keynesian paradigms adopted by all other governments, increasing spending and tolerating the deficit. In 1937 they reached one of the highest points in Italian history of the ratio of public debt to production (which today we would call GDP) at 95.7 per cent". Fascism, as intellectual historians as diverse as Ludwig von Mises, Erik von Kuehnelt-Leddhin, Renzo De Felice, Augusto Del Noce, Anthony James Gregor, Domenico Settembrini and Emilio Gentile among others have argued, was properly a revolutionary rather

the Republican era.[206] Far from being a mere coincidence, it is, alas, the inevitable consequence of the (forced) introduction of communism into the sphere and art of government that took place with the advent of contemporary democracy.[207] Ontologically revolutionary,[208] modern mass democracy (which has nothing to do with the *politeia* of Aristotelian origin, which was a highly restrictive and oligarchic political order) is the source, in the political sphere, of a true tragedy of the commons which leads public officials to spend, tax and legislate as if there were no tomorrow.[209] Applying communism within the sphere of

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than a reactionary movement, seeking to create a new man through the mystical regeneration of the nation. One of the essential characteristics of fascism, consequently, was anti-capitalism, which ultimately rests on a rejection of the natural laws of the market and the social division of labor. As Di Martino concludes: "Protectionism and autarky, dirigisme and interventionism, planning and centralism, of both fascism and Nazism, demonstrate how both of these phenomena must be considered anything but the result of capitalist reaction, but rather the expression of radical anti-capitalism". Di Martino (2021b), pp. 326-341.

[206] Forte (2011), pp.77- 79.

[207] Hoppe (2014).

[208] The term Revolution must here be understood as a philosophical and metahistorical category. Following the Brazilian philosopher and political activist Plinio Corrêa de Oliveira (2014; originally published in 1955), it refers to that "movement that aims to destroy a legitimate power or order and replace it with an illegitimate power or state of things. (We have purposely not said "order of things.")". In this sense, then, revolutionary is that philosophical and political movement that envisions and seeks a radical transformation of the nature of things. "Its chief objective", adds the Brazilian philosopher, "is not the destruction of certain rights of persons or families. It desires far more than that. It wants to destroy a whole legitimate order of things and replace it with an illegitimate situation. And "order of things" does not say it all. It is a vision of the universe and a way of being of man that the Revolution seeks to abolish with the intention of replacing them with radically contrary counterparts", p. 31. Reflecting on the nature of Marxism and its dominating influence in the contemporary world, the philosopher Augusto Del Noce (1972) argued that the term Revolution represents "the key word of our epoch", p. 8.

[209] The term "tragedy of the commons" was formally coined by the biologist Garrett Hardin (1968), pp. 1243-1248. In its most basic form this concept can be traced back to Aristotle, who in the *Politics* perceptively noticed how nobody takes care of that which belongs to all. Ludwig von Mises, however, is the one who deserves credit for articulating such a law from the stance of praxeology, the logic of action. As he put it, some thirty years before Hardin: "If land is not owned by anybody, although legal formalism may call it public property, it is utilized without any regard to the disadvantages resulting. Those who are in a position to appropriate to themselves the returns-lumber and game of the forests, fish of the water areas, and mineral deposits of the subsoil- do not bother about the later effects of their mode of exploitation. For

government implies that the rulers, who once considered themselves property owners, become purely managers and temporary caretakers: a fundamental institutional change which tends to increase time-preference, first in the public sector and secondly across the entire economy, as greater resources are devoted towards non-productive activities.[210] Furthermore, as Bertrand de Jouvenel brilliantly noticed, democracy tends to systematically weaken that natural resistance on the part of citizens toward their rulers by giving them the illusion that they too-if not today at least tomorrow-can constitute the government and eat from the tree of power.[211] In the age of democratization, the state has become, for all intents and purposes, as the 19th century French classical liberal, Frederic Bastiat, described it, that "great fiction by which everyone endeavors to live at the expense of everyone else."[212] The modern and democratic state, Bastiat correctly reasoned, instead of neutralizing conflicts, as it purports to do since its inception, becomes the "impersonal" intermediary that enables the population to procure itself the means to satisfy its ever-increasing fantasies by institutionalizing legal and reciprocal plunder. Looking at it from a dynamic perspective, ultimately the bill must be paid, and it will consist not merely of people 'resources but of their very same lives: "We design an intermediary, we address ourselves to the state, and each class in turn comes forward to say to it, "You who can take things straightforwardly and honestly, take something from the general public and we will share it." Alas! The state has a very ready tendency to

them the erosion of the soil, the depletion of the exhaustible resources and other impairments of the future utilization are external costs not entering into their calculation of input and output. They cut down the trees without any regard for fresh shoots or reforestation. In hunting and fishing they do not shrink from methods preventing the re- population of the hunting and fishing grounds". Mises (2008; originally published in 1949), p. 652. The concept "tragedy of the commons" plays a central role within the Austrian framework. The Austrians, in fact, deserve merit for having applied this concept to explain, among other things, the problems inherent in the current banking system and compare the efficiency of different political and institutional settings. See Bagus (2004).

210 See Hoppe (1999).

211 Jouvenel (1972), p. 34.

212 Bastiat (2012), p. 97.

follow this diabolical advice […] It will be the arbiter and master of every destiny".[213]

What, instead, can one say about the Marshall Plan that is constantly invoked today by our political class to justify this massive redistribution among countries of the European Union? Wouldn't that effectively call into question everything that has been said so far? According to the dominant narrative, it was the Marshall Plan-known officially as the *European Recovery Plan*-that got Western economies back on track in the aftermath of World War II. Without this form of supranational public intervention, we are told, Europe and Japan would have remained, under rubble for much longer. For this reason, according to mainstream intellectuals and pundits, to lift our economies out of the Covid catastrophe, there is an absolute need to set in motion a program similar to the one announced by Secretary of State George Marshall on June 5, 1947. A program that as 74 years ago-the words are Marshall's own-"is not directed against any country or doctrine, but against hunger, poverty, despair and chaos."[214]

George Mason University economist Tyler Cowen, to whom we owe one of the most detailed studies on this highly topical issue, has shown, however, that even here historical reality does not at all match popular myths. Far from it.[215] First, we must remember that Marshall Plan aid, which occurred between 1948 and 1952, never exceeded 5 percent of the beneficiary countries' gross national product, a derisory figure if we put it in relation to the economic growth that occurred in these countries in the 1950s. If we consider, moreover, that much of Europe was destroyed and that the $12.7 billion in which the program consisted-about $130 billion today-was divided among 16 European countries, in real terms each state received just enough to keep its citizens from starving, but no more. Put another way, the historical reality of the Marshall Plan tells us that it was anything but that gigantic financial program capable, according to the collective imagination, of promoting the European economic miracle.[216]

213 *Ibidem*, p. 97.
214 Arkes (1972), p. 3.
215 Cowen (1985).
216 Mueller (2018).

Second, many nations-West Germany, France, Italy and Belgium-began their economic recovery long before they received Marshall Plan funds. West Germany is an interesting case study, as aid from the Marshall Plan-a total of $1.448 billion, or 11 percent of the total fund-[217]began arriving only several months after Ludwig Erhard, in July 1948, decided to defy the orders he had received by all of a sudden abolishing economic controls that dated back to the National Socialist period, thus getting production off the ground and laying the foundation for the German economic miracle.[218] In addition, even when this aid arrived, the balance was markedly negative: while the German government was getting funds of roughly 3 maximum 5 percent of gross national product, which was significantly less than the prewar period, the costs of Allied occupation and reparations were absorbing between 11 and 15 percent of GNP. "U.S. policies," Cowen thus notes, "caused the drain of resources from Germany-they did not cure it."[219]

Third, the nations that received proportionately more aid from this recovery plan- Greece, Austria and Britain-experienced very modest growth. Britain, for example, received more funds from the Marshall Plan than any other nation-$3.297 billion in total, 26%of the total fund, or more than twice as much as West Germany-and yet in the aftermath of the war its growth rate was the lowest within the European community.[220] For its part, Austria, arguably one the countries most devastated by the war conflict, also received a significant per capita level of economic support-during the first year it was given $280 million, the largest amount per capita in Europe-but its economy remained stagnant for a long time and began to recover only once welfare measures diminished between 1951 and 1953. As the Austrian economic researcher, Franz Nemschak, a well-known supporter of the Marshall Plan, also recognized, the lower welfare revenues forced the Austrian state to reorient its economic policy toward a more sustainable

217 Schain (2001).
218 Erhard (1986).
219 Cowen (1985), p. 64.
220 Schain (2001).

model that was less intrusive on the private economy.[221] So far from justifying additional doses of centralized public intervention, in the words of political scientist Doug Bandow, senior fellow at the Cato Institute, "the real lesson we should draw from the outcome of the Marshall Plan is that entrepreneurial culture, legal stability, and free markets are necessary for economic success. Liberty, not money, is the key to prosperity."[222]

4.3. *Inflation, prices and the monetary problem*

For the reasons we mentioned in the previous section, one needs to view with equal concern the ultra-laxist monetary policy (massive doses of new money, *Quantitative Easing*, zero interest rates, *forward guidance* etc.) that central banks, *ECB* foremost among them, have pursued and continue to pursue. In addition to "nipping" the economy in the bud, monetary interventionism impedes past investment mistakes from being rectified while, in the meanwhile, blocking any political incentive to carry out the structural reforms that would restore the eurozone's competitiveness. As Jesús Huerta de Soto has asked rhetorically: "what government is going to bear the high political cost of, say, putting its accounts on a sound footing and liberalizing the labor market if, *de facto*, regardless of the deficit incurred, the central bank will finance it directly or indirectly and at zero cost – that is, by completely monetizing it?"[223]

As we get closer to full normalcy and people feel they no longer need to maintain such high treasury balances, this massive injection of new money into the economic system is likely to generate severe price inflation, with serious repercussions for both financial and commodity markets. Commodities continue to be in short supply and their prices do not stop levitating. Even such an incomplete yardstick as the *Consumer Price Index* suggests a gradually

[221] Cowen (1985), p. 70.
[222] Bandow (1997).
[223] Huerta de Soto (2021).

rising inflation rate. The *Consumer Price Index* has reached 9.1% in the United States and 8.6% in Europe.[224]

Although one may point-point we can never forget that "inflation is always and everywhere a monetary phenomenon".[225] This does not mean, however, that every increase in the money supply must mechanically translate into a proportional and immediate rise in the price level, as the monetarists, neo-classical and supply-side economists tend to argue.[226] It simply means that a generalized increase in the price of goods and services necessarily has its origin in a change in the relationship between the supply and demand for money. Otherwise, the quantitative theory of money, which finds its origin in Nicolaus Copernicus, would leave much to be desired. History would stand on its way and *contra factum non valet argumentum*. The years before the Great Depression (1926-1929) and those after the subprime crisis (2008-2016), for example, were years of great monetary expansion and at the same time of stability in consumer prices: a phenomenon which misled many free market economists regarding the destabilizing tendencies operating beneath the surfaces.[227] The same can be said about what happened until the arrival of Covid-19: despite the ultra-expansive policies of central banks, the value of money did not depreciate substantially.[228]

Far from disproving that inflation is a monetary phenomenon, however, these examples show us that the impact of money creation

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[224] The data refers to December 2022.

[225] Friedman (1994), p. 5.

[226] For a thorough analysis of this mistake by the monetarists, see Huerta de Soto (1998). For an essay along similar lines, see also Hazlitt (1976).

[227] "At this point", writes Jesús Huerta de Soto in his *magnum opus* on monetary and business cycle theory, "It should be evident that a policy of credit expansion unbacked by real saving must inevitably set in motion all of the processes leading to the eruption of the economic crisis and recession, even when expansion coincides with an increase in the system's productivity and nominal prices of consumer goods and services do not rise. Indeed the issue is not the absolute changes in the general price level of consumer goods, but how these changes evolve in relative terms with respect to the prices of the intermediate products from the stages furthest from consumption and of the original means of production". Huerta de Soto (1998), p. 426.

[228] For a debate on why this was so, see Doherty, Schiff, Henderson, Sumner, & Murphy (2014).

on prices is always indirect and mediated. The new quantity of money pushes some prices up, others down, and others are left temporarily unchanged depending on the way and extent to which this new influx of purchasing power affects the position of economic goods on the value scale of the new money holders and on its transition mechanism- where the new money is injected and how it step by step spreads over the production structure- a process which will necessarily revolutionize relative prices, distort cost-accounting, redistribute real incomes and ultimately lead the purchasing power of money to be, *ceteris paribus*, lower than what it otherwise would have been.[229] In the above examples, the inflationary tendency of money creation was neutralized by other factors, such as increased productivity resulting from globalization and capital accumulation on the one hand and an increased demand for money given the relative attractiveness, amidst felt urcentainty to hold onto to present purchasing power, on the other. To some extent, moreover, this new money found its way initially in the financial markets rather than in the real economy due to financial repression and confiscatory tax policy, inflating the prices of a very specific set of assets. What explains the worrying levels of current inflation is a very specific cocktail: massive money creation by central banks that has ended up in the hands of the public (through various stimulus programs and bonuses, unemployment insurance, unprecedented deficit spending etc.), a still inelastic productive system,[230] and a post-lockdown decline in the demand for money as households have found themselves in the conditions to consume and with no need to hold as high real cash balances as before.[231]

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[229] On the quantity theory of money as a case-probable counterfactual law, or counter-factual tendency, identified by relating the seen and unseen aspects of human choice, see Hülsmann (2003b), pp.77-78. Professor Hülsmann's perceptive analysis notwithstanding, we would argue, however, that in order to isolate the causal factor, namely the increase in the money supply, the *ceteris paribus* clause must be maintained within the counter-factual analysis.

[230] This inelasticity of the productive system, other than by taxes and legislation, has been exacerbated by a number of factors: 1) lockdowns, which have greatly reduced production of intermediate products, 2) the green policies that have reduced the supply of cheap energy and 3) Russia's so-called "special operation" in the Ukraine launched on February 24, 2022, that has decreased world production.

[231] Ferrero (2022).

Those who argue that these phenomena are the exclusive result of the accumulation of bottlenecks ignore three fundamentally important factors.[232] First, in an unmanipulated economy, bottlenecks tend to be circumstantial and short-lived. Thanks to fluctuations in the relative price structure, which drive the balancing of supply and demand at any given time, and the new profit opportunities that emerge for those who have the knowledge and ability to alleviate the scarcity problem that has arisen in these sectors, the shortage will tend to resolve spontaneously. The prolonged presence of bottlenecks, therefore, rather than being the cause of an unhealthy economy, is its product. Concretely, along with the extended effects of the 2020-2021 lockdown policies, it is the disproportionate increase in monetary demand for consumer goods, which arose in the wake of monetary inflation, that is putting undue pressure on the logistical infrastructure.[233] As Ryan McMaken observed, "The idea that problems in supply chains are spurring inflation reverses the causality. It is monetary inflation that is causing most of the problems in supply chains. Not the other way around."[234]

Second, in the absence of an increase in the money supply and/or a decrease in the demand for money, which from a subjectivist point of view is equivalent to an increase in the amount of money in circulation, the presence of bottlenecks is not sufficient to cause a general and sustained increase in overall prices. The pressure on some supply chains would be offset, *ceteris paribus*, by lower demand for alternative goods. In aggregate terms, the increase in

[232] See for instance El-Erian (2021).

[233] Since production, as capital theory teaches, takes time, the interruption of the division of labor that lockdozn policies entailed has effects over the long-term, even when people have returned to normal conditions. This is especially the case since these interruptions affect with greater intensity those sectors further removed from the final consumer and with a high degree of fixed capital, like gasoline refineries. It has been estimated, in fact, that in the biennium 2020-2021 circa three million barrels a day of gasoline refinery capacity shut down, something which, along with the monetary overhang caused by easy money policies, has contributed to the upsurge in gas prices of 2022, which reached over $5 per gallon in June 2022. See Harry Robertson, "Bottlenecks at oil refineries have sent US gas prices soaring to top $5 a gallon- and the crisis is unlikely to end soon", *Business Insider*, June 13, 2022.

[234] McMaken (2021).

the price of the former will then be neutralized by the decrease in the price of the latter. "The only way in which consumers, especially over a prolonged period of time, can increase their demand for all products," Murray N. Rothbard pointed out, "is if consumer incomes rise overall, that is, if consumers have more money in their pockets to spend on all products. But this can happen only if the stock or supply of available money increases; only then, with more money in the hands of consumers, can most or all of the demand curves rise, can shift up and to the right, and prices can generally rise [...] Inflation is a demand problem (more specifically a money supply problem) and not a supply problem. Prices rise continuously because of the increase in the quantity of money and thus the monetary demand for goods."[235]

Third, if the general and continuous increase in the price level were not caused by an excessive amount of money, we should be able to observe a severe and continuous decrease in aggregate output. However, industrial production in Europe and the United States is slowly returning to pre-pandemic levels, and the same can be said, for example, of international trade and transport.[236] In fact, when price inflation began, *the Organization for Economic Cooperation and Development*, projected global economic output to grow by 5.7% in 2021 and 4.5% in 2022, after it had fallen by 3.4% in 2020.[237] In other words, everything points in the same direction: the general rise in prices reflects a fall in money's purchasing power, caused in turn by the ultra-laxist monetary policies perpetrated by central bankers during the Covid emergency. When one considers, moreover, that the demand for money tends to decline progressively as economic agents perceive a continued deterioration of money in its quality, the situation does not bode well at all if central banks do not put a break on their monetary expansion. In this regard, Ludwig von Mises wrote: "The tendency toward a fall in purchasing power as generated by the increased supply of money is intensified by the general propensity to restrict cash holdings which it brings about. Eventually a point is reached

[235] Rothbard (2008), pp. 27-28.

[236] Macovei (2021).

[237] OECD (2021).

where the prices at which people would be prepared to part with "real" goods discount to such an extent the expected progress in the fall of purchasing power that nobody has a sufficient amount of cash at hand to pay them. The monetary system breaks down; all transactions in the money concerned cease; a panic makes its purchasing power vanish altogether. People return either to barter or to the use of another kind of money."[238] Given this possible scenario, what is most probable is that the monetary authorities will stop expending money and credit. This, however, will not come without a recession, since the increased interest rates that come with bank credit contraction will lead to the liquidation of zombie economies and to decreasing asset prices, thus entailing heavy capital losses for those investors who, like banks, are holders of long-term and relatively illiquid securities.

Bonus or stimulus policies are a bad remedy for inflation. As we have seen in the case of the 110 per cent construction bonus in Italy, these policies, aside from stimulating corruption and the like, have encouraged price increases, irresponsible spending and pressures on the logistics system as a result of the artificial, generalized increase demand for raw materials. To curb inflation, the money printer and the combination of the state and the monetary system must be ended. The main cause of inflation over the centuries, in fact, as Luigi Einaudi understood more than eighty years ago, is the monetization of public debt, a policy that has been deliberately and consistently pursued in Europe since 2010 and more so from 2015 onwards. Forcing prices down through political diktats, as some members of parliaments have recently proposed to do, instead of relieving us from increased costs of living and declining real wages, will make matters worse. These measures must inevitably produce systematic shortages and costly adjustment processes at both the consumer and producer levels that further dampen overall standards of living. Coupled with such shortages, moreover, price controls, especially in an inflationary environment, wreak havoc to the entire economy by suppressing economic calculation and freezing profitability indicators. As a consequence

[238] Mises (2008; originally published in 1949), p. 424.

the personal and geographical distribution of consumer goods as well as the allocation of factors of production among competing uses become irrational, randomn and chaotic, making output and supply chains tremendously unstable.[239]

In order to stop the evaporation of people's savings, government money creation would have to be stopped. In the long run, however, the only way to assure this is to return to a commodity money. Only with a sound monetary framework can restitute the necessary confidence to economic agents (workers, savers and entrepreneurs) to engage in productive activity and at the same time induce the government to engage in good finance, keep its account in order and avoid interfering with the natural order of the market.

These ideas, unfortunately, seem rather unpopular. Part of the reason, is that money and monetary theory in general represent the most complex and controversial aspects of economic science. As Rothbard once wrote: "Few economic subjects are more tangled, more confused than money".[240] Not surprisingly, there are many economists who have preferred to keep away from monetary pitfalls, a phenomenon we have seen manifest even within the liberal movement. Leonard Read, for example, the founder and president of the *Foundation for Economic Education*, never published anything on currency matters because, as he himself admitted, he did not understand much about it.

Yet one of the most important lessons that economic science offers us is that money is the social institution *par excellence*. To understand how money works is to understand how it emerges and how it keeps alive not only a market, but an entire society. Arising, as Carl Menger masterfully explained in his 1892 article *Geld*, as the result of an entrepreneurial, evolutionary and spontaneous process, i.e., without the intervention of any deliberate planning,[241] money has made it possible to overcome the inefficiency of barter, exponentially multiplying the opportunities for

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[239] On the economics of price controls see Reisman & Simon (2020), pp. 108-113.

[240] Rothbard (2005; originally published in 1991), p. 1.

[241] Menger (1892), pp. 239-255. On Menger's evolutionary account of social institutions, see also the comments in Huerta de Soto (1998), pp. 44-47.

exchange between different economic actors and making possible specialization, capital accumulation and increased productivity. As the generally accepted medium of exchange, moreover, money serves as the common denominator of all prices, enabling people to easily, quickly and directly compare the market value of one good with that of any other good, and entrepreneurs to employ economic calculation to examine the profitability of their enterprises and ventures, thereby putting society's scarce resources at the service of consumers' most urgent needs while avoiding the consumption of capital. As Joseph Salerno has thus stressed, then, "it is not money itself that is a "veil"- as classical economists used to claim and many quantity theorists still affirm- because it is precisely monetary calculation that permits market participants to meaningfully assess their wealth and income and appraise the outcomes of alternative allocations of resources".[242]

By increasing in this way the horizontal and vertical division of labor and thus the extent of the market, money led to the need to discover and define those institutions, such as language and moral norms of coexistence, that enable life in society and on which our civilization is based. Communication, thus also the very use of a language that can be understood outside one's own sphere, is a need that is stimulated by the enormous capacity for interaction that the universally accepted medium of exchange (the praxeological or economic definition of money)[243] allows. The tendency for the generalization of a medium of exchange thus also leads, in an organic-irreflexive manner, to use a Mengerian term, to the generalization of languages, moral and social norms that slowly become shaped and purified over time.[244]

Yet, in the hands of the State, its central planning bodies (independent and otherwise) and a private banking system that

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[242] Salerno (1999), p. 453. It must be specified that, according to the quantity theory of money as promoted by the English classical economists like David Hume, David Ricardo and John Stuart Mill, there exists, whether in the short run or the long run, a proportional and mechanical relationship between the total quantity of money in circulation and the aggregate price level.

[243] Mises (2009; originally published in 1912), p. 33.

[244] Huerta de Soto (2012f), p. 99.

operates "legally" at the margin of the general principles of property law (and thus of Law understood in a material sense) through the so-called practice of fractional reserve, that allows them to multiply from nothing the credit in circulation above and beyond social voluntary savings, money becomes corrupted and transformed, as the major events of the last decade and the current "pandemic" show, into the anti-social institution *par excellence*. The politicization of money unfairly redistributes income in favor of the ruling classes and their "neo-feudal barons" to the detriment of wealth producers and fixed income receivers; increases economic inequality by creating unnecessary social tensions; allows the political classes to extract valuable resources from the population invisibly and arbitrarily, without the democratic consent of the people and creates a fragile economy based on debt and bureaucratic dirigisme. This latter effect of government monopoly over paper money issuance gets reflected in the radical alteration of the financial structure of contemporary households, business corporations and governments which continues, day by day, to breed more instability.[245] "At the beginning of the twentieth century", reminds Jörg Guido Hülsmann, "most firms and industrial corporations were finances out of their revenues, and banks and other financial intermediaries played only a subordinate role. Today, the picture has been reversed, and the most fundamental reason for this reversal is paper money. Paper money has caused an unprecedented increase of debt on all levels: government, corporate, and individual. It has financed the growth of the state on all levels, federal, state, and local. It thus has become the technical foundation for the totalitarian menace of our days".[246]

Monetary laxism, moreover, disincentivizes savings and encourages capital consumption;[247] undermines the bourgeois ethic of hard work and weakens entrepreneurial creativity and innovation; foments financial engineering and speculation in the worst sense of the word; prevents good finance, blocks free market

[245] Horvat (2022).

[246] Hülsmann (2014), p. 21.

[247] See Fritz Machlup, "The Consumption of Capital in Austria", *Review of Economic Statistics* 17, 1935, pp. 15-16.

reforms and gives rise to the succession of economic cycles and financial recessions that destroy wealth, create massive unemployment and ruin the sustainability of the environment.[248]

4.4. *A Return to Freedom and Free Markets: Capitalism as the quintessential Sharing Economy*

Instead of relying on an expansive monetary policy and a pro-cyclical fiscal policy, therefore, a country that wants to recover economic growth would have to restore public finances, streamline unproductive public spending, reduce the tax burden on workers and enterprises, lighten the bureaucratic and regulatory burden on businesses, liberalize the labor market and reform the welfare state, returning responsibility for pensions, healthcare and education to civil society and local communities.[249] Ultimately this means returning to a society based on freedom and to an economy based on capitalism, that is on the private ownership of land, labor and (especially) capital goods and their allocation by creative, profit-seeking entrepreneurs embedded in a market price system.

F.A Harper, after sketching the nature of charity and its three general preconditions (the transfer must concern privately owned economic goods, be voluntary and protect the anonymity of both the giver and receiver) once argued that capital accumulation represents "the greatest economic charity of all".[250] The building up of savings and their investment in privately owned tools- trucks, machines, factories, railroads etc.- Harper illustrated, not only promotes self-reliance among workers through more and better employment opportunities, but ultimately makes possible the generation of a surplus of production which is almost entirely channeled to the users of tool, enhancing their compensation seventeen times: "This surplus [...] has raised United States production from a level of 5 to a level of 100 [...] But who really gets this surplus value of 95? The owner gets 15 and the user gets 80. Not a bad deal

248 Huerta de Soto (2014), pp. 143-153.
249 For a detailed explanation of how this could be done, see Huerta de Soto (2007).
250 Harper (2008; originally published in 1956), p. 99.

for the user! […] That is the nature of the greatest economic charity of all- savings invested in privately owned tools of production".[251]

Harper's great intuition is enhanced if one realizes that wage earners do not merely benefit from capital investment in their role as direct users of tools, but also as consumers confronted with the spectacular quality and quantity of goods and services that capital accumulation and investment makes possible through time. A fact, this one, which has been recognized even by many who cannot by any standards be described as free market economists. A case in point is Nobel prize winning economist, William Nordhaus, famous for having coauthored, with left-wing neo-keynesian Paul Samuelson, the bestselling post World War II Economics textbook. Nordhaus, in a 2004 study focused on the dynamics of the non-farm business economy, noticed and revealed that the profits or social returns derived from capitalistic, technological advances during the period 1948-2001 were largely captured, as a result of the dynamic forces of competition, by the anonymous consumers in the form of price cutting, greater availability, refined quality etc, rather than by producers, who capture on average only 2,2 % of the total benefits derived from the introduction of their technological innovations into markets.[252] In this sense, therefore, laissez-faire capitalism represents the quintessential "sharing economy", spreading the benefits of innovation and efficiency onto the larger strata of the population, all while intensifying the voluntary and peaceful coming together of creative and cooperative individuals.

Conclusion

In this essay we tried to outline and trace some themes that have emerged in the last decade, and which will influence the policies of tomorrow. Ultimately, what we find is a constant and systematic drift toward an emergency-driven mindset across different sectors, such that we could define our times as being pervaded by what we have called *emergentialism*. Where emergencies were once

[251] Harper (2008; originally published in 1956), pp. 102-106.
[252] Nordhaus (2004).

thought of as temporary and irregular, contemporary political and intellectual elites have transformed them into the very foundation of government and civil society. In some sense, as we tried to point out, this technocratic core has always been present in the state, albeit in an undeveloped form, even though political power has assumed, in contemporary society, a much more diffused yet at the same time penetrating character. Against this drift one needs to remember the teachings of the great social scientists and economists- from Menger to Mises, from Hayek to Rothbard- when it comes to the relationship between individual freedom, the market economy and the social order, and the expansionist logic of government's violation of property rights. In the eyes of Ludwig von Mises, the defense of the social order against government encroachment marks the very history and identity of our civilization: "The essential characteristic of Western civilization that distinguishes it from the arrested and petrified civilizations of the East was and is its concern for freedom from the state. The history of the West, from the age of the Greek *polis* down to the present-day resistance to socialism, is essentially the history of the fight for liberty against the encroachments of the officeholders."[253] At a time in which our most fundamental freedoms are under attack from a globalist agenda which ideologically seeks to transforms the natural order by establishing a perpetual regime of emergency, this is a lesson that believers in Western civilization cannot afford to forget.

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[253] Mises (1962), p. 98.

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