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## Ludwig Mises's Lvivian compass of life

Ludwig von Mises belonged to the last generation of people born in the Galician Lviv. His life proves that despite the historical catastrophe suffered by Austria, the free spirit of Galicia can be saved and influence the development of modern economics. His uncompromising moral character took shape in Lviv, which he later expressed in Vienna when he adopted Virgil's injunction as his life motto: "Yield not thou to ills, but go forth to face them more boldly than thy Fortune shall allow thee". The article deals with the reception of Mises's later work. An analysis of his selected works shows that throughout his life he waged a 'theoretical struggle' against the blueprint for society and the economy created by Marx, subsequently embodied through terror.

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## The opportunities of living in Lviv

The first scream, the first glance... It seems that from that moment each of us faces an endless field of life possibilities. After all, so much depends on ourselves, our work or character. It should be remembered, however, that the proverbial "stroke of luck" also often becomes necessary or even decisive, by bringing us closer to the implementation of our own resolutions.

However, not only fortune is an external condition shaping our life paths. This is because we come into the world at a particular time and in a particular place, in this family and not another, which greatly influences the life choices we make and the ways we implement them. Origins determine our initial life opportunities in two ways. Sometimes it is only years later that we realize how much depends on what kind of parents we have, whether they helped us to achieve our own independence or, on the contrary, made us dependent, whether they created opportunities for us to make choices or, rather, prevented us from taking advantage of them. However, it is not only the nature of these relationships and predetermined historical factors that largely determine our start in

choosing a life path. To the same extent, especially in the past, this was determined by our ethnicity, that is, whether we were born Poles, Jews, Ukrainians, Armenians or Germans. Our opportunities for development are also influenced by the position our parents occupied in a given nationality group. The attitude of our parents to the traditions in which they themselves were raised was also of great importance in choosing a life path, especially in the past.

Thus, the family defines not only the real, but also the spiritual beginning of our life's journey. The environment in which we find ourselves, children and adults, home and the neighbourhood in which we take our first steps: a village, a town or a metropolis – these are the elements that shape us and influence our decisions, sometimes even more than we can imagine. We should keep all the above considerations in mind as we begin to consider the work of Lviv-born Ludwig von Mises.

He was born in a Jewish family. The Mises family enjoyed special recognition which dated back to the first half of the 19<sup>th</sup> century. Abraham Mises participated in the work of the Lviv National Council, which fought for the democratization of relations in Galicia. The long-term effect of its influence was the emancipation of the Jewish community on a scale previously unknown in Europe. From 1867, Jews enjoyed full political and economic rights on an equal footing with other citizens of the Habsburg monarchy. As a result, as historians point out, “the years preceding World War I were particularly favourable for the Jewish community in Lviv. About 70% of all lawyers and 60% of all doctors were Jewish. Jewish businessmen made up 70% of the members of the Chamber of Industry and Commerce, and Jewish students made up 33% of all students at Lviv University”.<sup>1</sup>

In 1910, Lviv had a population of 206,113, including 105,469 Roman Catholics, 57,387 Jews and 39,314 Greek Catholics. Thus, at the time of Mises's birth, it was a multicultural city in which Jews had achieved a significant social position.

Theoretically, therefore, Mises could have become an Orthodox adherent of Judaism and become permanently affiliated with Lviv's Jewish community, and after some time he could have achieved a high position in it, like his grandfather. However, his family created a different path for him, taking advantage of the assimilation opportunities offered by the Habsburg Empire. Emperor Franz Joseph I himself, ascending the Austro-Hungarian throne in 1848, took as his motto the Latin message “Viribus Unitis!” (“With united forces!”), which was later consistently implemented in the Habsburgs' ethnicity policy. As Mises wrote in his memoir, it “favoured [the empire's] balanced irredentists”, i.e.,

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<sup>1</sup> *Wirtualny Sztetl*, <https://sztetl.org.pl> [dostęp 5.12.2021].

loyal subjects who tied their civic and professional lives to the idea of a state that provided the populations of the various nations comprising the Habsburg empire with broad autonomy, including preservation of language and customs, and, most importantly, equal opportunities for advancement in the state administration. This is also how the policy of the Habsburg monarchy differed from that of the tsars, where a condition for a career in public service or the military was renunciation of one's own national tradition and faith, including the need to convert to Orthodoxy.

Mises argued in his memoirs that the Habsburg concept of ruling over the subjects of the many nationalities that populated the empire produced considerable results. There was an intensification of acculturation processes among the various ethno-national communities, moving toward adopting Austrian culture as their own. Mises himself never, or perhaps very rarely, mentioned his own background or the rich traditions of home life characteristic of Jewish culture. Instead, he described extensively in his biography the adventures experienced by the Austrian students of the Lviv school. Throughout his life, he felt himself to be Austrian in the sense given to the term by the Habsburg Empire, which made a very conscious effort to disassociate itself from Greater German culture.

Mises himself, as he was becoming a famous economist, wrote about the current of economics with which he wanted to be identified, namely the Austrian school of economics, which grew up within the rich culture of the Habsburg monarchy, and was later destroyed by National Socialism.<sup>2</sup> In his memoirs, he noted proudly that "within the framework of the idea of equality and tolerance developed in the Habsburg Empire, representatives of different nationalities or local German-speaking groups were able to develop their talents. Brentano's philosophy could take root on this ground, Bolzano's economics, Mach's empiricism, Husserl's phenomenology and Breuer's and Freud's psychoanalysis grew on this ground".<sup>3</sup> Thus, the policies of the Habsburg Empire had a salutary effect on the development of culture for some time. This was also evidenced by the position Mises took among economists.

Loyalty to the Habsburg idea of being Austrian was among the traditional family values. The imperial court was also consistent in promoting irredentists, which was proven by the title of knighthood that Mises's grandfather, who headed the Jewish community in the year of his birth, received for his services to the empire. We can realize how egalitarian the policy of the Habsburg empire was when we recall the meaning of the title *Edler* itself, which indicated belonging to the "well-born" social stratum.

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<sup>2</sup> See L. Mises, *Wspomnienia*, Fijorr Publishing, Wrocław 2007, s. 73.

<sup>3</sup> Tamże, s. 73–74.

However, the concept of a Habsburg state in the time of Mises's adolescence, the early 20<sup>th</sup> century, was already difficult to maintain. The previous political project of the Habsburg monarchy at the end of its reign began to lose its relevance in the face of the growing popularity of the Greater German program, aimed at building a unified German Reich. In the political arena, there were increasingly frequent attempts to marginalize the empire and even to drive the Austrians themselves into complexes by the chauvinist Greater German circles, which were growing in strength and gaining in popularity. It was they who, along with the Social Democrats, pushed for the annexation of Austria to Germany. On the other hand, the emancipation aspirations of non-German-speaking nationalities constituted centrifugal forces, which contributed to the internal disintegration of the state.

Until the end of his life, Mises, growing up in a fully assimilated family with Jewish roots, declared himself to be a supporter of the Habsburg Austria, a part of which was Galicia. This was one of the reasons why he retained the preposition *von* preceding his name, for the rest of his life, even after the fall of the Empire. This old-fashioned custom, which was also cultivated by his student and later collaborator Friedrich von Hayek, was a manifestation of his attachment to the Habsburg political project. The extent to which Mises cherished this idea is also evidenced by his New York friendship with Archduke Otto von Habsburg, who would have become heir to the Austrian throne, had the storm of history after World War I not literally wiped the empire itself off the map. What is more, Mises retained the preposition *von* next to his name, even though it has been legally forbidden and punishable in today's Austria, and thus also in the European Union, since the founding of the Austrian republic until today.

Keeping the preposition *von* in front of his name, even in super-egalitarian America, in Mises's case, was also associated with a strong conviction of his own worth, balancing on the verge of megalomania. It later resulted in a kind of cult cultivated by his disciples, constantly using terms like "brilliant work" to refer to his achievements. As he himself emphasized in his memoirs, all the time he had a deep conviction that it was none other than he who bore the greatest merit for saving the autonomy of Austria immediately after the collapse of the Habsburg Empire. He wrote about his discussions with Otto Bauer, Secretary of State at the Foreign Ministry and later President of Austria, as follows: "I discussed these problems with the Bauer couple for many nights until I finally succeeded in convincing them. Bauer's moderate attitude decided the fate of Vienna at that time".<sup>4</sup> Throughout his life, Mises also believed in the missionary nature of his work as an economist. In doing so, he was always convinced of the

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<sup>4</sup> Tamže, s. 54.

rightness of his views, and made controversial statements, e.g. about the participants of the first post-war meeting of liberals (1947), organized by the Mont Pèlerin Association, which he called “a bunch of socialists!”. He was also able to break off contact with people who did not share his views on economic issues and not speak to them for years. However, this kind of old-fashioned megalomania can be understood and, seemingly, treated as not a very dangerous quirk. For it was part of a defence of his own sense of worth, consistently attacked by German professors who reproached Mises not only for his Austrian background, but also for his Galician provincialism.

### **The beginning of education in Lviv and its continuation in Vienna**

The future founder of the Austrian school was born in Lviv on September 29, 1881, at 13 Jagiellońska Street. Moreover, his parents owned two properties connected by a courtyard: number 18 on the main square and number 7 on Starożydowska Street, while his uncle Abraham was a co-owner of a tenement nearby at number 26. This testifies to the fact that the Mises family settled down permanently in Lviv and displayed great thriftiness. Ownership of the tenement house on the main square, on the other hand, provided the Mises family with prestige and recognition.

Mises lived in Lviv until 1892. There he began his education at one of the elementary schools, which was attended by the children of declared Austrians, as well as Poles, Jews, Germans and Ukrainians. Interestingly, he also spoke Polish with his schoolmates. As Jörg Guido Hülsmann notes, in Mises’s biography, “this Polish background played an important role; (...) Polish political thought and Polish political institutions, nurturing the noble ideals of republican freedom, had a significant influence on the young Ludwig” (transl. from Polish).<sup>5</sup>

The dominance of the 19<sup>th</sup>-century concept of philological education caused Mises to study Greek, Latin and French, which probably developed in him the ability to learn foreign languages allowing him to give a series of lecture in America at a relatively late age.

Mises was fortunate to come from a wealthy family. His father was a railroad engineer, which meant he was among the well-paid elite of the technical intelligentsia at the time. Mises’s parents could therefore afford for their son to continue his education in the capital of the empire. From 1892 to 1900, Ludwig at-

<sup>5</sup> J.G. Hülsmann, *Ludwig von Mises*, vol. 1, Instytut Ludwiga von Misesa, Wrocław 2020, s. 5.

tended a private elementary school and then the public Akademische Gymnasium in Vienna. Also there, he began studying law at the University of Vienna in 1900.

Although Mises left Galicia at the age of 11, his character was nevertheless formed in Lviv, as he mentioned in his memoirs. For example, this is what he wrote after leaving Lviv, when he began a new stage of his education in Vienna: "following in the footsteps of an old custom, I chose as my life motto a verse from Virgil's *Aeneid*: "Yield not thou to ills, but go forth to face them more boldly than thy Fortune shall allow thee".<sup>6</sup> In fact, he remained true to this motto in the later years of his career, when he visited such places as Geneva, New York and Argentina. Nor did he forget the Galician nobleman's love of freedom, which was, as it were, in his blood. As his biographer notes, "the culture of the Polish upper class in Galicia was steeped in this political tradition [of freedom], which must have been of great importance to families like the Miseses, who aspired to the upper classes at the turn of the 18<sup>th</sup> and 19<sup>th</sup> centuries" (transl. from Polish).<sup>7</sup>

True to his life motto, Mises, during his time at the University of Vienna, therefore, had to initially identify evil as he understood it, and then take up a consistent fight against it. This was by no means easy. Indeed, youthful idealism, the desire to save the world at all costs and the desire to liberate everyone from all evil led Mises to sympathize with and even actively join the political activities of leftist movements and parties. Moreover, his youthful impatience led him to act on an all-or-nothing basis. As he himself recalled, "At first I absorbed uncritically everything that was written in the works of social reformers. If a socio-political measure did not achieve the expected success, I believed at the time that it was carried out in a way that was not radical enough. In liberalism, which rejected social issues, I saw an obsolete worldview that should be vigorously combated" (transl. from Polish).<sup>8</sup>

Thus, in order to undertake a critique of what he considered the greatest source of evil, namely Bolshevism as a variant of socialism and its theoretical basis in the form of the idea of a centrally controlled economy by the state, he first had to gain distance from socialist ideas. It was not until his fifth semester of study that he had a breakthrough, initially on a theoretical level, when he began to see the disastrous effects of state interventionism. Thus, from the beginning, his rejection of socialist ideas had a deeper basis in his case than mere disappointment with the practical results of introducing socialist ideas. As he himself noted, "It is a mistake to believe that socialism could be defeated by the bad experiences one had with it. Facts alone cannot prove or disprove an-

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<sup>6</sup> For the Polish version see: Wergiliusz, *Eneida*, Zakład Narodowy im. Ossolińskich, Wrocław 1950, s. 89.

<sup>7</sup> J.G. Hülsmann, dz. cyt., s. 5.

<sup>8</sup> L. Mises, *Wspomnienia*, s. 55.

anything... Ideas can only be disproved by ideas. Socialism can only be defeated by the ideas of capitalism and liberalism. This conflict can only be settled by a struggle in the intellectual sphere".<sup>9</sup>

Sometimes it happens that one book completely changes our perception and allows us to discover previously unseen issues. Such was the impact on Mises's ultimate spiritual formation when in 1903 he read Carl Menger's *Principles of Economics*. He expressed this in his memoirs, admitting that this book made him an economist.<sup>10</sup> Carl Menger's concept of economic subjectivism ultimately strengthened Mises's critical stance toward socialist thought and its theoretical basis, namely the Marxist concept of economics.

Menger's theoretical deductions caused Mises to strive until the end of his life to show the fallacies of the economic strategy of interventionism operating within the framework of a state centrally controlled economy. Even after his graduation in 1909, when he worked at the Vienna Chamber of Commerce, he systematically studied the consequences of this mechanism and showed how interventionism in economic policy leads to an imbalance of economic influence between the various nations in the Habsburg Empire.

The most important event in the intellectual life of the young Mises, however, was his participation from 1904 to 1914 in a seminar by Eugen von Böhm-Bawerk, a disciple of Menger, where the theoretical foundations of the ideology of communist sympathizers were criticized in a systematic and factual manner.

Böhm-Bawerk initiated a polemic against the theoretical foundations of the economic policies of Bolshevism within the Austrian School, based on a detailed analysis of Marx's *Capital*. This allowed Böhm-Bawerk to show the groundlessness of Marx's entire critique of political economy by demonstrating the inadequacies of his choice of theoretical assumptions, in which he started from an analysis of the concept of value. Value, in his view, was to be based on the quantity determined by the socially recognized labour used to produce individual goods. Böhm-Bawerk argued that there are goods in economics that are not the product of labour and yet have a high price, and, on the contrary, it is possible to point to goods produced with a large amount of labour that become worthless without a buyer interested in them. This leads to the conclusion that it is not labour that determines value, but the consumer's inherently subjective assessment of the utility of a given good. This assessment is what shapes the willingness to purchase the good at a set price. Thus, the real value of the good is established.

These observations not only show the groundlessness of Marxist ideology in the question of value creation, but also make Marx's further reasoning false and consequently deprive Bolshevism of its theoretical justification.

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<sup>9</sup> L. Mises, *Socjalizm*, Arcana, Kraków 2009, s. 41.

<sup>10</sup> See L. Mises, *Wspomnienia*, s. 67.

Marx claimed in Volume I of *Capital* that if the labourist theory of value is true, then the value of a commodity is shaped by the worker and no one else. As it turns out, however, this assumption is not true either, because Marx here omitted the effort put in by the owner organizing production or the financier risking his capital during the formation and subsequent operation of the enterprise. This is because Marx assumed completely arbitrarily that the effort they make is not related to a certain kind of work. Moreover, Marx erroneously claimed that since a particular commodity is created only through the labour of the labourer, the value it achieves in the market is due entirely to the labourer and to no one else. With this false assumption and false conclusion, it was easy for Marx to prove that since the payment of a commodity-producing labourer is considerably lower than the aggregate value of the goods they supposedly produced on their own, additional value is created, which is illegally captured by the capitalist. Thus, profit under capitalism is to be seen as an unjust gratification of the capitalist and at the same time the result of exploitation, which occurs through the capitalist's unjustified appropriation, according to Marx, of what is actually due to the worker. This led Marx to the dangerous conclusion that the struggle to restore the worker's ability to obtain full value from the goods produced, and thus to abolish exploitation, must necessarily involve the destruction of capitalism – by means of revolution. Thus, a neutral, seemingly innocent, objective theoretical resolution, namely, the assumption of the value-creating role of labour, became the basis for justifying the “scientific” “inevitability” of the transition to the communist era and which presupposed, as historical materialism proclaimed, the use of violence in the form of revolutionary practice. For it was by violence that the market and its institutions (the stock market, free currency, etc.) were to be abolished and a centrally controlled economy by a bureaucratic-police-party decision-making centre was to be established.

Thus, the criticism of Marxism practiced by Böhm-Bawerk and Mises was intended to destroy the basic links of reasoning that ultimately legitimized Bolshevik terror.

As Mises recalled, “the discussion between Bauer and Böhm – the other participants stood in the shadows – filled the winter semester. The brilliant and gifted Bauer then made himself known from his best side, being a worthy opponent of the master, whose criticism dealt Marxist economics a fatal blow. It also seems to me that it was under the influence of these polemics with Böhm that Bauer finally had to admit that the labourist theory of value was untenable” (transl. from Polish).<sup>11</sup> It is also possible that an argument of historical

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<sup>11</sup> Tamže, s. 74.



nature was still presented there. After all, Marx himself did not complete his major work on political economy, i.e. *Capital*, in the face of the growing popularity in economist circles of the marginalist theory developed at the time by Carl Menger.

Anyway, Menger himself influenced Mises not only theoretically, but also in terms of his worldview. In 1910, in a conversation with his grandfather, Mises learned of Menger's pessimistic prediction about the future fate of Austria and Europe. At the time, he supposedly said, "the policy that the European powers are pursuing will lead to a terrible war that will end in cruel revolutions, the complete annihilation of European culture and the destruction of the prosperity of all nations" (transl. from Polish).<sup>12</sup> Thus, his spiritual master pointed emphatically to the evils that would be caused by the victory of Bolshevism and Nazism in Europe. For Mises, these were two leftist revolutionary movements using pseudo-scientific reasoning to justify the use of brutal violence: for Communism pushed the "scientific concept" of class, and Nazism – "scientifically" proved racial superiority.

True to the injunction formulated by Virgil in *The Aeneid* ("Yield not thou to ills, but go forth to face them more boldly than thy Fortune shall allow thee"<sup>13</sup>) led Mises to proclaim, as one of the few, the unpopular and even fiercely criticised thesis of the common roots of Nazism and communism. As he stressed in his works, Bolshevism, later its Stalinist continuation and Italian fascism, as well as German National Socialism, emerged from common assumptions as far as economy and society were concerned. All these varieties of socialist utopias pushed the need for central control. As totalitarian creations, destroying traditional social ties, they condemned the lone individual to absolute obedience to the bureaucratic power centre controlled by the police and the party. At the time, consistently proclaiming the view that Bolshevism and Stalinism were linked to fascism and German National Socialism required considerable courage to defy the prevailing views to the contrary, widespread in the world. For, as it was widely maintained through Stalinist propaganda since the Molotov-Hitler pact was broken: communism was the opposite of what Stalin and the envoys of the International (along with the manipulated journalists and people of culture) called – and still do to this day – "fascism".

<sup>12</sup> Tamże, s. 68.

<sup>13</sup> Wergiliusz, dz. cyt., s. 90. The Latin original: *Tu ne cede malis, sed contra audentior ito quam tua te fortuna sinet* (the Polish translation: "Ty złemu nie ustępuj, lecz przeciw idź śmiało! Idź nawet wbrew Fortunie!"). It is worth noting that the second part of the original Latin phrase: *quam tua te fortuna sinet* was amplified in translation into Polish (by Tadeusz Karyłowski), stressing the need of persistence *against* the adversity of fortune: "Idź nawet wbrew Fortunie!"; back translation: "Go [boldly] even against Fortune!" (translator's note).

**“Yield not thou to ills...” – the implementation of the first part of the life motto and a criticism of Marxism in *Kalkulacja ekonomiczna w socjalizmie* [Economic Calculation in the Socialist Commonwealth]**

It was no coincidence that Mises developed his critique of Marxism and socialist ideas in a comprehensive manner in two works at a specific time. *Die Wirtschaftsrechnung im sozialistischen Gemeinwesen* was written in 1920, i.e. at the time of the greatest expansion of Bolshevism into Europe. This allows us to conclude that at the same time that the fate of the Great War was at stake, Mises was fighting his war against Bolshevism.

The very title of the work: *Die Wirtschaftsrechnung im sozialistischen Gemeinwesen* sounds scientific, and therefore neutral, which indicates the intention to present a criticism of what Mises called socialism in economic terms. In this work, he demonstrated the non-economicalness of the socialist concept of macro- and micro-coordination. The idea of socialism in this case boiled down to the notion of an economy centrally controlled by the state, or, more precisely, by the bureaucratic apparatus controlled by the police and the party. Mises proves in his work that economic calculation in socialism is not possible since the realization of the idea of a centrally controlled economy by the state leads to the creation of an inefficient economic creation – a “socialist economy”, where instead of macro market coordination and micro coordination of individual decisions on the basis of economic calculation, arbitrary decisions are made by party apparatchiks and economic bureaucrats. The premises of the decisions must be arbitrary, because they are ultimately made by the centre of “planning”<sup>14</sup> – without recognizing and properly capturing the true picture of social needs and the ability to recognize opportunities for their realization. This leads to a bureaucratic economy of scarcity and investment profligacy, including the implementation of gigantic projects, as no one calculates the inputs and economic efficiency of entire economic ventures. The lack of economic calculation on an individual scale also ultimately leads to individuals taking actions that are contrary to economics but beneficial from their individual point of view.

The central critical argument against the rationality of the socialist economy and ultimately the legitimacy of the transition to it is the impossibility of establishing a market value for one's own currency, and thus for money to fulfil

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<sup>14</sup> Mises points out the unjustifiability of using the term planning in reference to socialist economy. Planning can only take place on the basis of actual knowledge of the state of the economy and the real possibility of providing funds for the activities undertaken. These two conditions are not met in a socialist economy, which is why one should speak of central control, not planning as its essence.

its primary function as a measure of the value of goods. As Mises pointed out, “monetary calculation makes sense only in the sphere of economic organization. It is a method that makes it possible to solve the problem of the distribution of goods in society according to the rules of profitability. Economic goods are subject to calculation insofar as they can be exchanged for money” (transl. from Polish).<sup>15</sup> Money, as a unit of economic calculation, allows everything to have a price, which in turn makes it possible to calculate all sorts of costs – from business ventures or investments to private consumption decisions, and also makes it possible to calculate the profitability of undertaken economic activities. This leads to a rational, in economic terms, use of both goods and capabilities, as well as the labour input itself. At the same time, money is a mobilizing factor, since the desire to acquire wealth and improve living standards is estimated by the amount of monetary gain. Ultimately, these insights led Mises to conclude that “without economic calculation, complex production, requiring processes stretched over time, would be like walking in the dark” (transl. from Polish).<sup>16</sup> Summarizing his argument, Mises also noted that “once the concept of free monetary pricing of higher-order goods is abandoned, rational production becomes completely impossible. Every step that moves us away from private ownership of the means of production and the use of money also moves us away from a rational economy” (transl. from Polish).<sup>17</sup>

This critique of the economic theory of socialism had a deeper philosophical basis. These included the tenets of critical rationalism, the roots of which also go back to the heyday of the Habsburg Empire. In this view, any attempt to create a total variety of rationalism, namely, to push the conviction that super-understanding can rationally order reality, is false and qualifies as the views of dogmatic rationalism. Critical rationalism proclaims that man is a finite being and, as such, does not have the ability both to control all the processes that take place in reality and to direct or control their course. As Mises pointed out, “the mind of man – even an eminently intelligent one – is too limited and cannot grasp the vast number of productive possibilities well enough to make directly obvious value judgments without the aid of calculations. No one will ever be able to fathom all the infinite number of production possibilities to such an extent as to make di-

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<sup>15</sup> L. Mises, *Kalkulacja ekonomiczna w socjalizmie*, Instytut Ludwiga von Misesa, Wrocław 2011, s. 35 and the following. As Mises notes, “calculation by means of exchangeable value (money) facilitates the expedient use of goods. Anyone who wants to assess the profitability of a complex production process will immediately determine whether they are operating more efficiently than others or less; if – referring to the exchange relations that persist in the market – they determine that they fail to make a profit on their production, this will mean that others are able to make better use of certain higher-order goods.” (transl. from Polish). Tamże.

<sup>16</sup> Tamże, s. 47.

<sup>17</sup> Tamże, s. 40.

rect value judgments without the aid of some system of calculation. The fact that property rights to economic goods, produced in a sharing economy, are distributed among many people requires some kind of intellectual division of labour, which would not be possible without a system of calculating production and without an economy” (transl. from Polish).<sup>18</sup> Thus, only the market and the related monetary economy, based on a legal system that defines the rules of private property, are capable of providing the individual with the information needed to make the right decisions at the national and household levels in a simple and accurate manner. Thus, thanks to the possibility of calculation, economic decisions become decentralized and a process of economic coordination occurs at the same time.

Thus, the views of Mises quoted above became a reflection of the life motto borrowed from Virgil. Indeed, in accordance with the motto: “Yield not thou to ills, but go forth to face them more boldly than thy Fortune shall allow thee to evil do not give way”, he criticized the Marxian idea of bringing the liveliness of economic processes under control by eliminating the market and replacing its functions with central control. Mises's conclusions, therefore, radically oppose the post-Enlightenment optimism according to which man can control, in Marx's view, the vibrancy of events in the economic sphere that characterizes the market economy.

**“...but go forth to face them [ills] more boldly” – the  
implementation of the second part of the life motto and the  
criticism of the socialist idea of central control of economy  
included in *Socjalizm* [Socialism]**

“Yield not thou to ills, but go forth to face them more boldly”.<sup>19</sup> The second part of this message, carried out consistently by Mises, guided him both in creating and in deciding on the publication date of his second work, entitled *Die Gemeinwirtschaft: Untersuchungen über den Sozialismus* published in 1932. During this period, in the USSR, the next strain of “socialist economy” began to develop, whilst in Germany, the National Socialist Party of German Workers (NSDAP), preaching the slogan of “National Socialism”, was preparing to take over the government. Thus, this was the peak period of the introduction of a centrally controlled economy on the European continent. Mises's book was thus intended by the author as a kind of antidote, an attempt “not to yield, but go forth to face ills more boldly”.

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<sup>18</sup> Tamże, s. 38.

<sup>19</sup> Wergiliusz, dz. cyt., s. 90.

As Mises wrote in the introduction to *Socialism*: the purpose of the book was to combat “the proponents of socialist ideas by logically demonstrating the preposterousness and absurdity of their views” (transl. from Polish).<sup>20</sup>

In turn, by way of summary, he stated in the conclusion, “One of the goals this book had was to prove that the socialist community lacks above all what any far-sighted economy needs – the ability to carry out calculation, i.e., to act rationally. Once this is understood, then all socialist ideas must disappear from the consideration of reasonable people” (transl. from Polish).<sup>21</sup>

In this work, Mises extended the scope of argumentation against the program of Marx and his followers to transform the capitalist economy into a socialist one. His sense of mission to theoretically combat their views never left him. As he confessed with pathos, “everyone carries a part of society on his shoulders; no one can take away anyone’s part of their responsibility. And no one can find a way out for themselves if society as a whole is facing collapse. Therefore, everyone must, in their own interest, take part in the battle of minds, using all their strength. No one can stand on the side lines and think it doesn’t concern them; the fight is for everyone’s cause. Everyone, whether they want to or not, will be drawn into the great historical decisive struggle that our era has placed before us”.<sup>22</sup>

As for his critique of the theoretical foundations of Bolshevism, Mises continued in his work to undertake a meticulous critique of Marx’s main theses on the basis of a painstaking analysis of his texts. To begin with, he focused his attention on answering the question “whether society should be built on the basis of private or social ownership of the means of production....?” (transl. from Polish).<sup>23</sup> Following in the footsteps of Marx, Mises focused his attention on considerations pertaining to possession. He criticized socialist “efforts to create as much equality as possible in the distribution of property” (transl. from Polish),<sup>24</sup> which were taking a new form under Russian Bolshevism. “The naive equality fanaticism of the proponents of distribution has long since been replaced by another social ideal. It is not redistribution, it is common ownership that is the slogan of socialism. Removing private ownership of the means of production and replacing it with ownership by society is the main goal of socialism” (transl. from Polish).<sup>25</sup>

As Mises noted in his work, the fundamental error of the proponents of socialism as a theory leading to the Bolshevik terror is to misunderstand the

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<sup>20</sup> L. Mises, *Socjalizm*, s. 22.

<sup>21</sup> Tamże, s. 403.

<sup>22</sup> Tamże, s. 407.

<sup>23</sup> Tamże, s. 29.

<sup>24</sup> Tamże, s. 44.

<sup>25</sup> Tamże.

idea of equality. This is because equality is supposed to be about the right, not the possession. In the liberal view, therefore, it is about equality before the law, not about the equal amount of property that everyone is supposed to own in a socialist state.

Mises also succeeded in exposing the fraud that was the so-called dialectical thought, which was invoked by proponents of Marxism who saw nothing false in the formulation of self-contradictory views. A classic example of dialectical thinking is the view of the death of the state under communism (Friedrich Engels), later replaced by the proclamation of the opposite, namely, the growth of its role (in the view of Joseph Stalin). As Mises bluntly confessed, “the essence of Marxist dialectics is verbal fetishism. Every Marxist creed is embodied in a verbal fetish, the dual or even multiple meanings of which are meant to show the unity of irreconcilable thoughts and postulates. The exegesis of these expressions, which, like the words uttered by the Delphic Pythia, seem to have been specifically chosen to allow for various understandings, is the subject of a dispute in which each side is able to cite in its favour passages from the writings of Marx and Engels to which authoritative meaning is attributed” (transl. from Polish).<sup>26</sup>

Mises also showed all the naivety of Marxist historiosophy and its schematism resulting from the adoption of a mythological perspective of decline. In the socialist view, “first there was a golden age, then there was a worse one, but nevertheless bearable, until finally there was capitalism, related with every possible evil. In this way, the capitalist social order is portrayed as cursed in advance; the only thing that can be taken as its merit is that it is through its excess of abominations that it prepares the world for the salutary influence of socialism” (transl. from Polish).<sup>27</sup>

Later in his work, Mises points out that Marxism bases its “scientific historiosophy”, or historical materialism, on the assumptions of chiliasm, i.e. the consciousness of the coming of the end times. Thus, Marxism proclaims that after the victorious proletarian revolution there will be a new form of the Kingdom of God on Earth, which will be communism, which is also the final phase of history. The essential novelty of Marxism as a new form of Chiliasm was to be seen as, supported by scientific evidence of the current, only valid interpretation of historiosophy. As Mises stated, “chiliastic historiosophy stands for a prediction that goes beyond all human knowledge; it wants to make predictions as only the ‘divine eye’ could. What it teaches can be called poetry, prophecy, faith or hope; but it cannot be science and knowledge. Nor can it be referred to

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<sup>26</sup> Tamže, s. 67.

<sup>27</sup> Tamže, s. 75.

as a hypothesis, just as a tarot teller's divination cannot be called a hypothesis. Calling their chiliastic theory a science was a particularly successful ploy on the part of Marxists" (transl. from Polish).<sup>28</sup>

Equally false, according to Mises, was to be the view of historical materialism about the development of history itself. This is because Marxists profess, as part of their historiosophy, a historical fatalism referring to the "ironclad laws of history", supposedly leading inevitably to the advent of communism. This conviction and the consequent "theory of history" even prescribe revolutionary practice, which was supposed to justify the Bolshevik and Stalinist terror.

In *Socialism* Mises criticises the assumptions of Marxist economics as the basis of socialism and the practice of Bolshevik terror. His critique also involves an accusation regarding an earlier argument based on the subjectivist theory of value of Menger and Böhm-Bawerk, which Mises took to the anthropological level. According to him, any economic development that ensures individual prosperity can only be achieved through a rational organization of economic activities. Here Mises returned to the issue of monetary calculation, which presupposes matching the use of economic goods with the rules of economy. As Mises noted, only an underdeveloped economy can dispense with a monetary calculation; a modern economy makes its use a necessity, and this calculation, as he showed in his previous work, is impossible in a socialist economy. This is the source of the irrational decisions of party officials, called economic planning, which in fact plunge the economy into the depths of chaos. As Mises argued, the economics of socialism is so complicated that "the tasks that a socialist social order would have to deal with cannot be solved by the human mind" (transl. from Polish).<sup>29</sup>

Although Mises himself was not a sociologist by training, the accuracy of the analysis he developed of the social costs entailed by the realization of the Marxist utopia was unsurpassed. He was a proponent of social evolutionism, making it possible to show how social differentiation and a wealth of complex arrangements of social relations were created over the centuries, which were destroyed by the Bolshevik terror.

Mises also fought against the false conclusion of the authors of *the Communist Manifesto* about the possibility of abolishing the division of labour under communism. This would bring about a golden age in which a free individual would do what they wanted, including engaging in intellectual work and participating in cultural development. As Mises pointed out, it is the division of labour as a product of the rationalization of activities in the economy that provides the

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<sup>28</sup> Tamże, s. 226.

<sup>29</sup> Tamże, s. 357.

opportunity to increase leisure time through the effective satisfaction of material needs. In a free society, everyone is free to occupy themselves if they want to, obviously, within the limits of the possibilities determined by their earnings. Therefore, the division of labour cannot be reduced without reducing its productivity. This applies to all professions. It is an illusion to believe that the division of labour can be abolished without inflicting harm to productivity. "The abolition of the division of labour cannot be a compensation for the damage suffered by individuals (both mental and physical) as a result of unvarying labour, unless we want to regress in social development" (transl. from Polish).<sup>30</sup> In support of his thesis about the falsity of the view that the division of labour is evil from the perspective of the development of human beings, Mises cited convincing evidence: "we do not find a harmoniously educated man at the beginning of social development. The almost autarkic farmer, a farmer living in remote, peripheral valleys, does not exhibit that noble harmonious education of body, mind and spirit that the Romantics depict. Mental culture is the result of leisure and quiet rest, allowed only by the division of labour" (transl. from Polish).<sup>31</sup> Thus, in Mises's view, capitalism, as a system based on the institution of the free market and private property, does not work against society, but on the contrary, the division of labour contributing to the production of wealth strengthens the basis for social exchange. At the same time, Mises was aware that private ownership of the means of production is not capable of creating a paradise on earth, although he also believed that the socialist order does not contribute to ensuring prosperity for the general public, and that its introduction is an extreme evil.

**The end: "...more boldly than thy Fortune shall allow thee"  
– the further implementation of Virgil's message  
in *Planowany chaos* [Planned Chaos]**

Mises was also faithful to the indication in the following verse from Virgil's *Aeneid*, namely, to proceed even against adverse Fortune.<sup>32</sup> Fortune here symbolizes Fate shaping the views of a generation. Mises, disregarding adversity, and, defiantly followed his own path. Although in the early stages of his education he was partial to political radicalism that was common in those days, he broke with this attitude relatively quickly, as already indicated, with the beginning of his studies, to consistently oppose his Fortune all the time. Thus, he did not succumb to the fashion for left-wing radicalism, which at the

<sup>30</sup> Tamże, s. 240.

<sup>31</sup> Tamże.

<sup>32</sup> Wergiliusz, dz. cyt., s. 90.



same time meant abandoning the opportunities that these generally preferred affinities provided.

Mises's self-esteem and awareness of his mission, and, above all, his diligence and uncommon skills, allowed him to survive the most difficult circumstances of his life, which befell him not only after the fall of the empire, but also as a result of the hostile attitude of the Swiss authorities during World War II. The reward for his fidelity to the chosen motto of life was the forming circle of disciple-followers, both in America and Europe, including Poland, where, to this day, there are small but thriving groups of propagators of Mises's thought.

In his work *Planned Chaos*, published shortly after World War II, in 1947, Mises tried very hard to "face ills more boldly than his Fortune allowed him", opposing the political trends of the time. As he argued, "a characteristic feature of our era of dictators, wars and revolutions is its anti-capitalist attitude. Most governments and political parties ardently want to restrict the sphere of private initiative and free enterprise" (transl. from Polish).<sup>33</sup> Mises thus took up an uncompromising fight against the acceptance of statism and state interventionism in its post-war guise. As he himself noted, "almost no one questions the dogma that the state or government is the embodiment of all that is good and beneficial, and that all citizens are hapless mercenaries who are solely set on hurting each other and badly in need of a protector. Questioning this dogma, even in the slightest, has become taboo. One who proclaims the divinity of the state and the infallibility of its priests, i.e., bureaucrats, is considered an impartial social scientist. In turn, all those who raise objections are stigmatized as biased and limited. Followers of the new religion – statolatry – are even more fanatical and intolerant than the Muslim conquerors of Africa and Spain" (transl. from Polish).<sup>34</sup>

Finally, it is worth asking about the value of his Galician roots of freedom and the beginnings, related to the formation of his character under the influence of events unfolding in Lviv and later in Vienna. Undoubtedly, his consistency in the pursuit of a life motto seems valuable. Mises, as he put it, tracked down "evil", namely, all manifestations of socialism. This allowed him to create the most radical variant of criticism of this system among all liberals. Mises concluded that the assumptions of Marx and his continuators with regard to both the essence of man and the development of history and economic theory itself were false and harmful. "Socialist writers can continue to publish books about the collapse of capitalism and the coming of the millennium of socialism: they can paint the evils of capitalism in bright colours and contrast them with an appeal-

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<sup>33</sup> L. Mises, *Planowany chaos*, Fijorr Publishing, Wrocław 1995, s. 11.

<sup>34</sup> Tamże.

ing picture of the magnificence of socialist society; their writings can continue to enthrall those incapable of thinking – but this will not change the fate to which socialism is doomed. Seeking to reform the world along socialist lines would destroy civilization. It would never establish an effectively functioning socialist community” (transl. from Polish).<sup>35</sup>

This fidelity to his life's message also allowed him to create, derived from a critique of socialist ideology, an uncompromising variety of 20<sup>th</sup>-century liberalism, free, however, from one-sidedness. Mises, while showing the effects of the embodiment of socialist ideas, such as, above all, the abolition or restriction of the operation of the market, swung the pendulum the other way when he argued that only market mechanisms (consumer choice, the pursuit of profit and the rational structure of human action) are the tools that solve all social problems. Thus, one can see in his views a new variety of *laissez-faire*, according to which the highest value is the unfettered operation of the free market. History has positively verified Mises's criticism of socialism, as he had the opportunity to observe all the evils associated with the implementation of the postulates of Marx and his continuators in the field of economy and society. Subsequently, Mises polemicized with Oskar Lange's views on the creation of a coherent theory of economic calculation under socialism and saw the consequences of “real socialism”.

On the other hand, today, we are richer with the experience resulting from the introduction of neoliberal ideas into economic life, i.e. those largely in line with Mises's views. After all, as residents of Central and Eastern Europe, we were both witnesses and participants of life under both real socialism and real liberalism. In Poland, the neoliberal transformation brought a new form of Manchester Capitalism, while in Ukraine, including Lviv, we could see its eastern mutation in the form of oligarchism. Therefore, we already know that Mises's optimism about the belief in the salutary action of the market in all circumstances must be shaken in the face of the consequences of the implementation of these demands, especially in the social sphere.

Nevertheless, this does not diminish the value of Mises's intellectual effort and strength of character, the origins of which were formed in Lviv, the capital of Galicia, which was part of the Habsburg rule during the years of his youth. It was the Lvivian compass of freedom and the Viennese motto of the struggle against coercion (“Yield not thou to ills, but go forth to face them more boldly”<sup>36</sup>) that completely defined Mises's activity in the field of economics, as well as in academic and political life.

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<sup>35</sup> L. Mises, *Socjalizm*, s. 114.

<sup>36</sup> Wergiliusz, dz. cyt., s. 90.

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### Lwowski kompas życiowy Ludwiga Misesa

#### *Streszczenie*

Ludwig von Mises należał do ostatniego pokolenia ludzi urodzonych w galicyjskim Lwowie. Jego życie dowodzi, że mimo katastrofy dziejowej, jakiej doświadczyła Austria, można ocalić wolnościowego ducha galicyjskiego i oddziaływać na rozwój współczesnej ekonomii. We Lwowie kształtował się jego bezkompromisowy charakter moralny, czemu dał potem wyraz w Wiedniu, gdy przyjął za swą sentencję życiową wskazanie Wergiliusza: „ty złemu nie ustępuj, lecz przeciw niemu idź śmiało”.

W artykule zajęto się recepcją późniejszej twórczości Misesa. Analiza jego wybranych dzieł wskazuje, że przez całe życie prowadził „walkę teoretyczną” ze stworzonym przez Marksa projektem społeczeństwa i gospodarki, wcielonym następnie w życie za pomocą terroru.

**Słowa kluczowe:** Lwów, Ludwig von Mises, kalkulacja, socjalizm, szkoła austriacka