

Artículos

LA DECISIÓN COMO ACCIÓN HUMANA: APORTACIONES DE LAS NEUROCIENCIAS

MARÍA BLANCO GONZÁLEZ*

Fecha de recepción: 12 de junio de 2012.

Fecha de aceptación: 19 de diciembre de 2012.

Resumen: La aportación, a lo largo de la última década, de la neuroeconomía y la psicología evolucionista a la visión de la ortodoxia, no solamente en el ámbito de la teoría económica, sino también en el estudio del riesgo y las finanzas, es notable. Pero no hay muchos estudios que analicen comparativamente cómo complementan o no las ideas de los autores que nos precedieron. En este artículo se estudian algunos aspectos relacionados con las teorías de Ludwig von Mises, uno de los principales representantes de la Escuela Austriaca.

Palabras clave: Historia del Pensamiento Económico, Escuela Austriaca de Economía, Neuroeconomía, Economía Evolucionista, Ludwig von Mises.

Clasificación JEL: B53, D87.

Abstract: Neuroeconomics and Evolutionary Psychology contribution to the economic mainstream along the last decade, not only in the realm of economic theory but in the analysis of risk aversion and financial decisions, is really noteworthy. But few things has been said about how these new disciplines are complementary or has something to add to what the economists thought before us. The comparison between the history of economic ideas and the new disciplines of neuroeconomics and evolutionary psychology is missing. In this article an approach is made to the theories of Ludwig von Mises, one of the most renowned members of the Austrian School of Economics.

Key words: History of Economic Thought, Austrian School of Economics, neuroeconomics, Evolutionary Psychology, Ludwig von Mises.

JEL Classification: B53, D87.

* Profesora de Historia del Pensamiento Económico, Universidad CEU-San Pablo.
mariabg@ceu.es

Si algo diferencia el estudio de la economía emprendida por Carl Menger y el punto de vista defendido por los otros dos economistas marginalistas, Jevons y Walras, no es, como suele decirse, el empleo de las matemáticas, sin más. Hay razones profundas que subyacen tanto a las diferencias metodológicas como a todas las demás. Y se trata del objeto mismo de la economía, que para Menger era la acción humana, y a partir de ahí, las características definitorias de las acciones del hombre en el entorno económico definían la esencia misma de nuestra ciencia: dinámica e imprevisible. De ahí que la reconciliación entre la Escuela Austriaca y el modelo neoclásico, estático, previsible, determinado y alejado de la naturaleza del hombre, sea imposible. Los seguidores de Menger, por más que mejoraran, discreparan o modernizaran el análisis económico del maestro, respetaron los fundamentos establecidos por él. El que Mises titulara su obra principal, *La Acción Humana*, es un hermoso homenaje a esta visión de la economía.

Pero en el siglo XXI, el estudio de la economía se alimenta con los frutos de lo que otras ciencias pueden aportar. Este es el caso de la Neuroeconomía, que estudia la acción humana a nivel fisiológico, biológico, del funcionamiento del cerebro.

La Neuroeconomía es un programa de investigación interdisciplinario cuyo objetivo es edificar un modelo de decisión biológico en los entornos económicos. Los neuroeconomistas se preguntan cómo hace el cerebro encarnado para permitir a la mente (o grupos de mentes) tomar decisiones económicas.

Mediante la combinación de técnicas de la neurociencia cognitiva y la economía experimental, ahora podemos observar la actividad neuronal en tiempo real, observar en qué medida esta actividad depende del entorno económico y probar hipótesis acerca de cómo la mente emergente toma las decisiones económicas.

De esta forma, la Neuroeconomía nos permite entender mejor tanto la heterogeneidad en el comportamiento humano, como el papel de las instituciones en tanto que extensiones ordenadas de nuestras mentes. En concreto, nos enseña que muchas de las acciones que aparentan ser irracionales, son racionales si tenemos en cuenta cómo funciona realmente el cerebro.

Uno de los temas a analizar apunta a la multiplicidad de procesos que subyacen a la decisión humana, y que se articulan en

diferentes niveles. Los elementos básicos del proceso de decisión son la percepción, el diagnóstico, la decisión, la acción, el resultado (o consecuencias) y la evaluación de la experiencia. En este proceso influyen variables relacionadas con aspectos económicos, como el riesgo y variables que abarcan cuestiones extra económicas, como el compromiso. El estudio de estos aspectos de la decisión humana se complica ya que los distintos sistemas neuronales en los que se encastran los procesos múltiples de decisión se retroalimentan.

De acuerdo con la neuroeconomía, el cerebro es un sistema físico y, en este sentido, sus circuitos están diseñados para generar comportamientos adecuados en función de las circunstancias del entorno. Además, dichos circuitos neuronales han sido diseñados por la selección natural para resolver los problemas que nuestros antecesores enfrentaron a lo largo de la historia evolutiva de la especie. La consciencia no es sino el pico del iceberg, la mayoría de lo que sucede en tu mente no es percibido por el individuo. Como resultado de este hecho, tu experiencia consciente puede llevarte al error de creer que nuestro sistema de circuitos es más simple de lo que en realidad es. Diferentes circuitos neuronales están especializados para resolver distintos problemas adaptativos.

Uniendo las enseñanzas de la neuroeconomía con la perspectiva de la psicología evolucionista podemos describir una mente dotada de un gran número de especializaciones adaptativas equipada, cada una de ellas, con un rico y variado contenido de «herramientas» como representaciones, conceptos, sistemas de inferencias y variables regulatorias organizadas funcionalmente para resolver los complejos problemas que plantean la supervivencia y la reproducción, que ya nuestros ancestros cazadores-recolectores se encontraban. De esta forma, a lo largo de la historia del hombre, ha sido la selección natural la que ha seleccionado la maquinaria de toma de decisiones de nuestra mente.

Este conjunto de dispositivos cognitivos generan todo el comportamiento económico. Existe una doble relación entre el comportamiento económico y la estructura cognitiva que lo genera. Es decir, las teorías que explican el comportamiento económico incluyen necesariamente, aunque de manera implícita, una teoría

sobre la estructura de los mecanismos cognitivos que dan lugar a ese comportamiento. Las características del diseño de esos dispositivos definen y constituyen los principios humanos universales que guían la toma de decisiones económicas.¹

Aunque parezcan terrenos diferentes, las teorías austriacas tienen que ver, desde mi punto de vista, con la neuroeconomía y, sin duda, puede aprovecharse de sus aportaciones tanto para corroborar algunos puntos como para completar o mejorar otros.

Uno de los problemas que plantea la investigación es que la neuroeconomía comparada con el *mainstream* de la economía, apenas acaba de nacer, no es muy conocida y su aplicación se centra especialmente en el terreno de las finanzas, donde la asunción del riesgo es tan relevante. El análisis de las bases de esta disciplina tan novedosa enlazándolo con los conceptos aportados por nuestros maestros es un terreno aún más desconocido. Pero nada de lo expuesto lleva a la conclusión de que la neuroeconomía está equivocada o que la investigación en historia del pensamiento económico desde su perspectiva sea estéril.

Por ejemplo, uno de los temas de estudio que comparten economistas y psicólogos evolucionistas se refiere a la confianza en desconocidos como base del comercio. Y, sin embargo, en este terreno, la idea del cálculo económico articulada por Mises y otros economistas de la Escuela Austriaca de Economía, no ha sido incluida en estos análisis, ni por unos ni por otros. Mientras que la teoría de juegos y la psicología evolucionista puede decirnos las razones que nos llevan a intercambiar con extraños, la teoría del cálculo económico es necesaria para determinar cómo decidimos qué intercambiamos. Entendemos por cálculo económico el arte de elegir el modo eficiente de producción de aquellos que permite la tecnología existente. Cuando los actores saben que intercambios son más probables para obtener beneficio mutuo, es más seguro que se dé el intercambio con extraños y la cooperación social tiene más posibilidades de extenderse.²

Igualmente importante es el tema de la estimación de incertidumbres que el modelo neoclásico obvia. Los economistas no

¹ Ray, William J., (2013), pp. 23-25.

² Horwitz, Steven (2008), p. 6.

tenemos en cuenta los sesgos del decisor en el uso de la probabilidad de la información, que están relacionados con los diferentes entornos en los que se decide. En general, el que el entorno sea más o menos estable o cambiante determina si el sistema que se activa es social o emocional, analítico o cognitivo, más rígido (hábito) o más plástico (expectativas), si involucra principios morales o es estrictamente racional, etc. Relacionado con este aspecto está la posibilidad de que el actor económico se equivoque, situación que la economía neoclásica tampoco considera y que, por el contrario, sí forma parte del análisis de la Escuela Austriaca de Economía.

Dado lo novedoso del tema, no voy a intentar exponer de manera exhaustiva todos los aspectos en común o que son susceptibles de ser confrontados por las nuevas disciplinas entre todo el cuerpo teórico de la Escuela Austriaca de Economía. Me voy a centrar en algunos aspectos descritos por Ludwig von Mises con el objetivo de mostrar la utilidad de reconsiderar estas ideas desde el punto de vista de la neuroeconomía y la psicología evolucionista.

Los puntos de la teoría de Mises que voy a desarrollar son: la teoría de la mente evolutiva, la elección como acto racional intencionado, el análisis de la teoría del ciclo o de las burbujas financieras y, finalmente, los argumentos de Mises respecto a la cooperación social y el socialismo.

I

LA ACCIÓN HUMANA Y EL ENFOQUE NATURALISTA

La Acción Humana. Tratado de Economía (1940) es, sin duda, la obra principal y más conocida de Ludwig von Mises, líder de la moderna Escuela Austriaca de Economía. Dicha escuela de pensamiento económico surge en la Viena de 1870 de la mano de Carl Menger, el más diferente de los tres economistas marginalistas que rompieron con la tradición clásica smithiana del siglo XIX inglés.

Siguiendo bastante de cerca las referencias de Menger, el fundador, y sus sucesores Wieser y Böhm-Bawerk, Ludwig von Mises

publicó en 1940 este libro que, como su subtítulo indica, abarca las características y consecuencias del enfoque defendido por los economistas de la Escuela Austriaca. Se trata, pues, de un libro con vocación de manual de estudio, de principios fundamentales de la economía.

Mises ya era conocido en Estados Unidos, donde se estableció como profesor huyendo de la invasión nazi, debido a la polémica que mantuvo con Oskar Lange, otro profesor de origen ruso y residente en los Estados Unidos, acerca de la imposibilidad del cálculo económico en una economía de planificación central.

La obra *La Acción Humana*, de 1.046 páginas, desgrana todos los aspectos que cualquier estudioso de la economía necesita saber. Desde el análisis de la acción, pasando por la acción en el marco de la sociedad, el cálculo económico, la teoría del mercado (o cataláctica), la cooperación social en ausencia de mercado, el mercado intervenido y, finalmente, el lugar de la economía en la sociedad. Así, a lo largo de 34 capítulos, y yendo desde lo simple hasta lo complejo, Mises nos introduce en un mundo económico en el que el papel principal recae en la acción humana, y por ende, en la decisión, que es la base de la existencia del hombre.

Uno de los escollos que, en principio, separan los estudios de neurociencia y psicología evolucionista y las ideas de Mises es la metodología defendida por el autor austriaco en *La Acción Humana*.

El economista de la Escuela de Public Choice Viktor Vanberg ha analizado a fondo estas diferencias.³ Para Mises, la economía, en tanto que disciplina praxeológica, estudia las categorías de acción a priori, no las circunstancias particulares de las acciones observables. Es decir, su objeto de estudio es la esencia categórica de la elección y la acción como tales y, en ese sentido, analiza los elementos puros del establecimiento de fines y la aplicación de medios y no el contenido de los fines o la calidad de los medios empleados para lograrlos.

El énfasis en la intencionalidad de la acción humana, aspecto en el que nos detendremos más adelante, también es señalado por Vanberg como uno de los aspectos relevantes de la metodología

³ Vanberg, Viktor (2004), pp. 17 y ss.

miseana. No se trata de prestar atención a lo que elige el hombre sino al mero hecho de la elección. Lo que la praxeología afirma acerca de «la acción en sí misma» es, para Mises, estrictamente válido sin excepción, para cada acción. Esta rigidez se deriva del propio método genético-causal austriaco que parte de axiomas, irrefutables por definición.

Incluso al estudiar la acción humana, Mises, como apunta Vanberg, se refiere a la «timología» como aquella parte de la psicología que estudia las actividades mentales de los hombres que determinan sus acciones, y la separa de la psicología experimental, demasiado positivista para él.⁴

Pero, como explica Vanberg, la reticencia de Mises va dirigida específicamente a los enfoques positivistas y behavioristas (psicología del comportamiento) que reducen el estudio de la acción humana a esquemas basados en el estímulo y la respuesta. Estos enfoques ignoran la capacidad de anticiparse de la mente humana, en concreto, respecto al comportamiento de otros seres humanos, que conduce a la acción intencional, adrede. La intencionalidad implica el conocimiento del significado de la acción del hombre. Esta característica, el análisis de la intencionalidad que impide el uso del método de las ciencias naturales, es común también a determinadas disciplinas históricas como el estudio del significado o de la comprensión. Estas disciplinas acceden a los últimos principios que gobiernan los fenómenos que estudian. El entendimiento, es decir, el estudio del significado, analiza algo intangible, inmaterial, invisible, que no se pueden percibir mediante los métodos de las ciencias naturales, y eso es algo que, de acuerdo con Mises, las ciencias naturales deberían reconocer.

Mientras que la investigación de las ciencias naturales es causal, la de la acción humana es teleológica. Una es elaborada en términos de causa-efecto y la otra en términos de causas finales. Y, precisamente, es la finalidad, la naturaleza orientada a los fines de la acción humana intencional, lo que hace imposible que se apliquen al comportamiento humano los mismos métodos que las ciencias naturales aplican en el laboratorio al tratar con el

⁴ Mises (1978), pp. 47 y ss.

comportamiento de un ratón o del hierro. Ese es el behaviorismo que ataca Mises.

Sin embargo, como notaba ya Herbert Simon, en 1997, la psicología ha cambiado mucho desde entonces y tras la «revolución cognitiva» que trasciende y deja obsoleta la visión simplista del behaviorismo basado en el estímulo-respuesta. Precisamente la acusación de despreciar los fundamentos cognitivos de la acción humana es en lo que la psicología moderna ha avanzado más. Esta «revolución cognitiva» propugnaba el estudio de lo que sucede en la mente humana y cómo opera, para analizar el pensamiento complejo del hombre, la resolución de problemas y la toma de decisiones. Sólo así se podría construir, de acuerdo con Simon, una teoría económica capaz de albergar el mundo en estado de incertidumbre en el que vivimos.⁵

Finalmente, para Viktor Vanberg, la moderna psicología cognitiva no sería el objeto de la crítica de Mises, que consideraba que las ciencias naturales, al estudiar regularidades, no podrían abordar que los mismos sucesos externos produzcan diferentes reacciones en hombres distintos o en el mismo hombre pero en momentos diferentes. Que es uno de los problemas que Mises veía en el behaviorismo.

Los datos concluyentes respecto al funcionamiento de la mente humana por los avances, no solamente psicológicos, sino médicos, como vamos a ver, son demasiado relevantes como para que se rechacen sin prestar atención. Y, tal vez, es necesaria una revisión respecto a la idoneidad de los actuales métodos de algunas disciplinas de las ciencias naturales.

II

LA ACCIÓN HUMANA DE MISES Y LA TEORÍA EVOLUTIVA DE LA MENTE

Ya hace tiempo, Vernon Smith, el premio Nobel de Economía por sus estudios de economía experimental, expresaba en su revisión

⁵ Simon, Herbert (1997) p. 26.

de *La Acción Humana* con motivo del 50 aniversario de su publicación, su convicción de que Mises tuvo la idea embrionaria de la teoría evolutiva de la mente. Por supuesto que, dadas las acusadas diferencias en sus métodos, según Vernon Smith, hay mucho que mejorar y revisar en las teorías de Mises, aunque sólo sea porque en cincuenta años el conocimiento humano ha variado, pero también es cierto, como reconocía Vernon L. Smith, que su mensaje acerca de cómo funciona la economía es perfectamente válido. En concreto, lo que ha cambiado de manera más rápidamente es la metodología para el estudio de la naturaleza de la toma de decisiones humanas. Y Vernon apuntaba cómo uno de los avances a los que se ha llegado en estos cincuenta años es la co-evolución de naturaleza y cultura en la supervivencia del hombre. La evolución no solamente atañe a la genética sino que las ideas, tradiciones y cultura determinan y moldean la acción humana y, como sucede en nuestra historia evolutiva, aquellas más adecuadas para la supervivencia permanecieron y las otras desaparecieron.⁶

Otros autores destacados de la Psicología Evolucionista, como Leda Cosmides y John Tooby, consideran que la comprensión de la mente de Mises concuerda con la evolución y con interpretaciones contemporáneas, como el de la psicología evolucionista.⁷

Lo cierto es que estas afirmaciones parecen tener todo el sentido simplemente leyendo párrafos de Mises como el siguiente:

La mente humana no es una tabula rasa sobre la que los acontecimientos externos escriben su propia historia. Está equipado con un conjunto de herramientas para comprender la realidad. El hombre adquirió estas herramientas, es decir, la estructura lógica de su mente, en el curso de su evolución desde una ameba a su estado actual. Sin embargo, estas herramientas están, lógicamente, antes de cualquier experiencia.... No hay actos previstos por la etnología o la historia en contradicción con la afirmación de que la estructura lógica de la mente es uniforme en todos los hombres de todas las razas, edades y países.⁸

⁶ Smith, Vernon L., (1999), pp. 3-5.

⁷ Tooby y Cosmides (1992), pp. 1-10.

⁸ Mises (2007), pp. 35-38.

A pesar de la metodología defendida por Mises, que podría levantar una barrera impermeable a la aportación de estas nuevas disciplinas, es notable que en *The Ultimate Foundations of Economic Science* (1978) se encuentren razonamientos muy cercanos a los que hacen hincapié en el origen evolutivo de la mente humana, aunque no llega a la conclusión esperable, es decir, a que si la mente humana es un producto de las fuerzas naturales de la evolución, es lógico que sea el objeto de una investigación en el ámbito de las ciencias naturales.

De acuerdo con Mises, los animales son guiados por impulsos e instintos. La selección natural elimina a aquellos especímenes y a aquellas especies que desarrollan instintos incompatibles o no adaptados a la lucha por la supervivencia. Se puede asumir que en el camino que condujo a nuestros ancestros no humanos al *Homo Sapiens*, algunos grupos de antropoides avanzados experimentaron con conceptos categóricos diferentes de los del *Homo Sapiens* e intentaron usarlos como guía de conducta. Solamente aquellos grupos cuyos miembros actuaron conforme a las categorías correctas pudieron sobrevivir, es decir, de acuerdo con aquellas categorías conformes con la realidad y, por lo tanto, que funcionaban.⁹

Esencialmente, esa es la perspectiva de la psicología evolucionista acerca de la evolución, la mente y, específicamente, el lenguaje natural. La interpretación es que el cerebro está equipado con circuitos preparados para absorber el lenguaje, así como otras muchos recursos que el hombre necesita para sobrevivir en sociedad, como la moral, o la detección de mentirosos. Mises no pretende saber cómo es que la evolución ha creado la capacidad mental del hombre, sino que para Mises es tan natural pensar en la mente como un fenómeno desarrollado fruto de la evolución como lo es creer que ese mismo proceso creó los brazos y las piernas. Y ese es el nexo con la aproximación de Cosmides y Tooby.

Un tema persistente a lo largo de Mises es que la elección se basa en un pensamiento, el razonamiento sobre las comparaciones entre

⁹ Mises (1978), pp. 14 y ss.

las preferencias de la persona, y sus juicios acerca de lo que es más o lo que es menos:

La acción es un intento de sustituir un estado menos satisfactorio de los asuntos por una más satisfactoria... Costo es igual al valor que se asigna a la satisfacción que uno debe renunciar con el objetivo de alcanzar el fin.¹⁰

Sólo el hombre tiene la facultad de transformar los estímulos sensoriales en la observación y la experiencia, [y puede ordenarlo] en un sistema coherente. La acción es precedida por el pensar.¹¹

Se trata de una acción moralmente neutral, el objetivo del estudio de la acción (praxeología) no es moral, no se interesa por los objetivos últimos, de manera que el bien es conseguir los fines, y el mal es no hacerlo.

Geoffrey M. Hodgson considera que la rígida definición de acción hace incompatible las teorías misesanas con las de la moderna psicología evolucionista. Mises cree que la teoría económica no debe ocuparse del contenido de las preferencias individuales. Si los psicólogos evolucionistas intentan dibujar un mapa de la psicología universal del hombre que incluye especializaciones cognitivas específicas en cuanto al dominio que abarcan, y mecanismos de resolución de problemas de contenido específico, entonces están negando implícitamente la idea de Mises según la cual el contenido de la acción está asociado a la historia y la forma independiente del contenido, pura, está asociada a la teoría.

El proyecto praxeológico de Mises se edificó sobre la idea de que los únicos universales en la acción humana conciernen a sus formas categóricas. Y este presupuesto, según Hodgson es incompatible con el darwinismo y la psicología evolucionista.¹²

Pero a lo largo del siglo XX y, especialmente en los años que llevamos de siglo XXI los avances en la neurología y su capacidad para localizar funciones cognitivas en el cerebro y, por tanto,

¹⁰ Mises (2007) p. 97.

¹¹ Mises (2007) p. 177.

¹² Hodgson, Geoffrey M. (2004), pp. 61-70.

la detección del lugar físico en el que se elabora la acción tiene consecuencias muy interesantes. Los procesos mentales y la toma de decisiones siguen siendo inmateriales pero se hallan localizados físicamente en un locus cerebral.

Paul Broca, en el siglo XIX, fue el primero que se preocupó por determinar qué partes del cerebro se activan cuando se desarrollan determinadas funciones cognitivas. En concreto, él predijo dónde estaba la zona del habla. Actualmente, una parte de la neurociencia estudia, una vez conocidas las zonas asociadas a algunas funciones cognitivas, qué parte concreta se activa ante un suceso o en una circunstancia determinada.

Desde entonces ha pasado mucho tiempo y, hoy en día, la medición directa de la actividad cerebral neuronal ha puesto de manifiesto la importancia de las ciencias instrumentales, la necesidad de echar mano de todo aquello que pueda complementar lo que sabemos acerca de la decisión. Por ejemplo, la comparación de valor relativo en los cerebros de mamíferos. Estudios avanzados en este sentido muestran que tanto los cerebros de monos como de ratas responden a las comparaciones diferenciales de recompensas

Los estudios neurofisiológicos de monos y ratas demuestran que las neuronas en parte de las de la corteza orbitofrontal (por encima de los ojos) proceso de motivar a los acontecimientos, discriminar entre los estímulos condicionado apetitivo y aversión, y que operen durante la expectativa de los resultados.¹³

Dado que las tecnologías utilizadas en los estudios en animales son demasiado invasivas para que se puedan aplicar a los humanos, ¿cuál es la importancia para los seres humanos de estos resultados respecto a cómo funciona el cerebro de los animales? La respuesta es que otras investigaciones han demostrado que, en muchos casos, la corteza orbitofrontal en humanos y monos realiza las mismas funciones genéricas. Esto es el resultado de los estudios en humanos y monos con lesiones en esta zona: las dos especies presentan expresiones alteradas de

¹³ Tremblay y Schultz (1999), pp. 704-708.

la recompensa y de las preferencias, y un acusado deterioro de su toma de decisiones, de la motivación y la conducta emocional, que lleva a alteraciones significativas en el comportamiento social.

A pesar de las marcadas diferencias neurobiológicas entre los monos y los chimpancés, y entre el chimpancé y el humano, hay una esencia común de los defectos causados por el daño prefrontal: el comportamiento personal y social se ve gravemente comprometida.¹⁴

Mises da toda la importancia a la razón en la teoría de la decisión y no tiene en cuenta que son las emociones quienes finalmente manejan las decisiones humanas, el papel constructivo que desempeñan las emociones en la acción humana. El cerebro emocional actúa antes del cambio en la toma de decisiones, mientras que la razón, en forma de la racionalización verbal, se produce después de la decisión. Los pacientes con daño cerebral, sin embargo, no consiguen presentar la respuesta emocional, ni cambiar su toma de decisiones, ni ofrecer excusas verbales por su bajo rendimiento.

Bechara y otros autores, en un famoso estudio de 1997, creen que hay señales inconscientes desde el cerebro emocional (a veces llamado el sistema límbico) que guían o influyen en la formación de estrategias cognitivas, y que este circuito se ve afectado por lesiones del lóbulo frontal. En consecuencia, las emociones, lejos de ser contrarias a la decisión racional, pueden ser esencial a ella, mientras que el cerebro en el que se da el razonamiento consciente es el último en enterarse.¹⁵

Lo cierto es que Mises ha sido superado por las recientes tendencias en neurociencia, cuando dice:

El comportamiento consciente o intencionado contrasta drásticamente con el comportamiento inconsciente, es decir, los reflejos y respuestas involuntarias de las células del cuerpo y los nervios ante un estímulo.

¹⁴ Damasio, A., (1994), p. 75.

¹⁵ Bechara *et al.* (1997).

Mises quiere reclamar que la acción humana es consciente e intencionada. Pero esa no es una condición necesaria para que su sistema funcione. Los mercados están ahí funcionando independientemente de si el motivo principal de la acción humana implica o consiste en una elección deliberada autoconsciente.

Mises enfatiza que suponer que la acción humana es intencional implica que está dirigida a la consecución de fines, que aspira a lograr fines concretos y definidos y que está guiada por consideraciones respecto a lo adecuado o no de medios concretos y definidos. Pero ese concepto de acción no debe interpretarse como «objetivamente racional» en el sentido que la teoría económica ortodoxa propone. Mises rechaza explícitamente la ficción del «homo oeconomicus» neoclásico dotado de una estricta racionalidad objetiva, ya que el hombre real como agente económico a menudo actúa equivocada y estúpidamente.¹⁶

Y va más allá cuando afirma que el estudio de la economía no se ocupa de fenómenos psicológicos capaces de ocasionar determinadas actuaciones. La acción no consiste simplemente en preferir. Quien sólo desea y espera no interviene activamente en el curso de los acontecimientos, ni de la plasmación de su destino. El hombre en cambio, al actuar, opta, determina y procura alcanzar un fin. De dos cosas que no pueda disfrutar a un tiempo, elige una y rechaza la otra. Esa es la base del concepto, tan relevante para la teoría austriaca, del coste de oportunidad.¹⁷

En *La Acción Humana*, Mises rechaza los estudios que en aquel tiempo desarrollaban determinados sociólogos y psicólogos quienes apuntaban a instintos innatos como motor del comportamiento humano. un punto de vista similar al defendido por el mismo Adam Smith en *La Riqueza de las Naciones*, cuando habla de los instintos humanos que le llevan a seguir determinadas tendencias, como la de intercambiar. Mises deja claro que la praxeología y la economía no se ocupan ni de los resortes ni de los fines últimos de la acción, sino de los medios que hay que emplear para alcanzar los objetivos propuestos. Para él, los medios a que el hombre apela para satisfacer sus metas son fruto de consideraciones

¹⁶ Mises (1978), p. 34.

¹⁷ Mises (2007), p. 16.

racionales que ponderan el coste por un lado, y el resultado alcanzado, por otro. No tiene en cuenta ningún aspecto emocional porque las emociones perturban las valoraciones del actor. Es decir, no se imaginaba que el cerebro emocional, como ha demostrado la neurociencia, es parte relevante, la más relevante, de la decisión.

Mises también subestimó las operaciones de los procesos mentales inconscientes. No recordamos cómo aprendimos la mayor parte de lo que sabemos, ni ese proceso de aprendizaje es accesible a nuestra experiencia consciente, es decir, la mente. Incluso problemas de decisión importantes a los que nos enfrentamos son procesados por el cerebro en un plano inferior a la accesibilidad consciente.

Tal y como expone el neurocientífico Michael Gazzaniga (1998):

Para cuando creemos que sabemos algo (es decir, para cuando algo es parte de nuestra experiencia consciente) el cerebro ya ha hecho su trabajo. Los sistemas que componen el cerebro, encas-trados en él, hacen su trabajo automáticamente y en gran parte fuera del ámbito de la consciencia.

El cerebro termina su trabajo medio segundo antes de que el proceso de información alcance nuestra consciencia. Nosotros (es decir, nuestras mentes) no tienen ninguna pista respecto a cómo sucede todo esto y tiene su efecto. No planeamos o articulamos esas acciones. Simplemente observamos el resultado.

El cerebro empieza a sustituir este aspecto de «trato cerrado» de su funcionamiento creando en nosotros la ilusión de que los acontecimientos están sucediendo en tiempo real, no antes de nuestra experiencia consciente de toma de decisiones.¹⁸

De hecho, uno de los rompecabezas de la neurociencia es por qué el cerebro engaña a la mente haciéndole creer que está al mando de la actividad mental. Pero, a pesar de las dificultades en la definición o estudio de la acción intencionada, la participación del inconsciente y de las emociones en la misma, nada de esto resta importancia al argumento de Mises. Solamente hay que comparar las ideas del economista austriaco con las que proponía el

¹⁸ Gazzaniga, Michael (1998), pp. 62-64.

modelo neoclásico ortodoxo para apreciar la superioridad de Mises frente a sus pares. A la relevancia de la acción humana hay que añadir otros aspectos de la teoría austriaca que han sido confirmados por la neuroeconomía, como el comportamiento de los inversores en los ciclos económicos y la consideración de los mercados como un dispositivo pro-social, un medio gracias al cual el cerebro es capaz de extender a otros cerebros su capacidad de procesamiento de la información.

III LA TEORÍA AUSTRIACA DEL CICLO

Un aspecto muy interesante de la aplicación de la neuroeconomía se refiere a los ciclos financieros.¹⁹ El profesor Montague, neurólogo, ha analizado el comportamiento de los individuos en el mercado financiero. Para ello ha llevado a cabo experimentos de economía experimental utilizando los hallazgos de Vernon Smith. La economía experimental consiste en la reproducción en un laboratorio de supuestamente las mismas condiciones que se dan en el mercado y proponer juegos a los grupos observados en los que tengan que tomar decisiones similares a las que se toman en los mercados.

En el experimento de Vernon Smith elegido como base de su investigación, el juego no seguía un guión inventado, sino que, sin que lo supieran los participantes, se trataba de escenarios históricos reales, en concreto, el mercado financiero americano en la crisis del 29. La característica predominante en los participantes fue el remordimiento, entendiéndolo por tal la diferencia entre el valor que hay y el valor que podría haber. Lo que los economistas llamamos coste de oportunidad de la elección.

Los individuos, al cambiar su inversión y arrepentirse reciben una fuerte señal en la misma zona en la que aparece la señal de recompensa-predicción del error.

La primera conclusión de Montague es que el cerebro en estos experimentos no distinguía entre juego y realidad, y estimulaba

¹⁹ French, Doug (2008) pp. 1-2.

las zonas que habría afectado en el caso de ser el mercado financiero real. También explicaba que lo que hay detrás de toda decisión (y por tanto de toda recompensa) es una sustancia presente en nuestro cerebro llamada dopamina. La dopamina es un neurotransmisor que tiene muchas funciones en el cerebro, incluyendo papeles importantes en el comportamiento y la cognición, la actividad motora, la motivación y la recompensa, la regulación del sueño, el humor, la atención, y el aprendizaje.

Las respuestas físicas de las neuronas afectadas por la dopamina son observadas cuando se presenta una recompensa inesperada. Estas respuestas se trasladan al inicio de un estímulo condicionado después de apareamientos repetidos con la recompensa. El cuerpo aprende a segregarla cuando aparece una situación similar cuando ha habido repetidas experiencias de éxito.

Por otro lado, las neuronas de dopamina son deprimidas cuando la recompensa esperada se omite. Así, las parecen codificar la predicción del error para resultados provechosos. En la naturaleza, aprendemos a repetir comportamientos que conducen a maximizar recompensas. La dopamina, por lo tanto, proporciona una señal instructiva a las partes del cerebro responsable de adquirir el nuevo comportamiento.

Los inversores son sujetos atados a la dopamina, su cerebro funciona tomando decisiones y soportando inyecciones o bajadas de dopamina. De esa forma, aprenden a decidir correctamente.

Cuando un agente económico externo manipula las señales económicas que llevan a los inversores a tomar sus decisiones se distorsiona todo el proceso y la regulación de dopamina se altera, porque no se produce ante una ganancia inesperada real. Es decir, al manipular los tipos de interés y generar una burbuja financiera, se fuerza a que los decisores actúen siguiendo señales artificiales. De manera que cuando en vez de esas ganancias que lógicamente su cerebro descontaba, se pincha la burbuja y pierden, la sensación en el cerebro es desconcertante porque ante una «buena» toma de decisiones el resultado ha sido decepcionante. La neuroeconomía corrobora el proceso descrito por la teoría del ciclo austriaco, en concreto, su explicación de las burbujas financieras.

Básicamente, los problemas que dan lugar al ciclo económico de auge y recesión aparecen cuando surge una importante

descoordinación intertemporal en los planes de los agentes respecto al consumo, el ahorro y la inversión. En la mayoría de ocasiones, este desajuste se debe a la perversión de las señales (como los tipos de interés) por las autoridades monetarias. Esas señales que sirven principalmente para coordinar la temporalidad de las decisiones, generan una expansión de inversiones y en el descalce de plazos entre inversiones y endeudamiento que acaba por estallar. Para entonces la economía está apalancada, encerrada en el laberinto del Minotauro.

El desfase entre la estructura productiva de la economía y la estructura de la demanda de los consumidores no es sostenible, y la falta de liquidez del sistema representará el otro pilar de la asfixiada economía en recesión. En esta etapa, hasta que no se purguen las malas inversiones, se reajuste la temporalidad de deuda e inversión y se restaure el proceso productivo reasignando los factores productivos, no se alcanzará una situación en la que los decisores vuelvan a confiar en su capacidad. Paradójicamente, aquellos inversores que en estas duras circunstancias sepan adelantarse y acierten recibirán una recompensa química especialmente satisfactoria, al ser muy pocos los que son capaces de ver algo claro cuando las circunstancias son sombrías.

IV LA COOPERACIÓN Y EL SOCIALISMO

Los mercados son uno de los medios de los cerebros sociales para extender su capacidad de procesamiento de la información de otros cerebros y de calibrar la creación de riqueza más allá de todo lo que pueda ser comprendido por la mente. De la misma forma que la mayor parte de lo que el cerebro hace es inaccesible a la mente, así también la gente fracasa generalmente a la hora de entender los mercados como sistemas auto-organizados, coordinados por los precios para el logro cooperativo de ganancias del intercambio, sin que nadie lo dirija o se ocupe.

Según Mises, todas las relaciones sociales surgen de la división del trabajo, que es posible gracias a la economía de mercado:

En el marco de la cooperación social puede surgir entre los miembros de la sociedad sentimientos de simpatía y amistad y un sentido de pertenencia común. Estos sentimientos son la fuente de las experiencias más deliciosas y sublimes del hombre. Son el adorno más precioso de la vida... Sin embargo, no son... los agentes que han dado lugar a relaciones sociales. Son los frutos de la cooperación social, se desarrollan sólo dentro de su marco... Los hechos fundamentales que llevaron a la cooperación, la sociedad y la civilización y transformaron el hombre-animal en un ser humano son: a) que las actividades efectuadas bajo el sistema (espontáneo) de la división del trabajo son más productivos que el trabajo aislado y b) que la razón del hombre es capaz de reconocer esta verdad.²⁰

La psicología evolutiva nos enseña que, desde épocas ancestrales, hay una fuerte división del trabajo entre las generaciones y entre los sexos: en general las mujeres, niños y hombres mayores reúnen y procesan los alimentos, los hombres y los niños más mayores de 18 años cazan; hombres mayores asesoran en la caza y hacen herramientas, y las abuelas ayudan en el parto y la crianza de los niños como parte de una característica humana, la adaptación biológica al hecho de la menopausia, lo que conduce a una vida más larga post reproductiva de la familia y la prestación de un servicio comunitario.

Este «instinto» de reciprocidad entre los miembros de una sociedad, ha emergido con fuerza inesperadamente y de forma amplia en varios experimentos de laboratorio.²¹ Las investigaciones en mercado experimentales corrobora la idea de Smith-Hayek-Mises según la cual, la cooperación a través de instituciones de mercado en el que los derechos de propiedad aprovechan (utilizan) el propio interés para crear riqueza. Pero hasta la mitad o más de los mismos tipos que, sin saberlo, maximizan las ganancias del intercambio en la interacción anónima a través de un conjunto de las reglas del mercado, también optan por renunciar a actuar en su propio interés y prefieren lograr resultados cooperativos a través de la confianza y la confiabilidad en juegos simples con información completa.

²⁰ Mises (2007), p. 174.

²¹ Fehr, Gächter y Kirchsteiger (1996).

Este modelo de individuo —que se comporta no cooperativamente en mercados impersonales para maximizar las ganancias del intercambio, pero cooperativamente en el intercambio personal también para maximizar las ganancias en él— nos permite entender porqué la gente sigue queriendo y demandando intervención en los mercados para «mejorar las cosas».

Por un lado, su experiencia en el intercambio social personal es que haciendo cosas buenas (siendo confiable y confiando) se consigue el bien (ganancias visibles procedentes del intercambio social).

Por otro lado, en el intercambio impersonal a través de los mercados, las ganancias del intercambio no son parte de su experiencia. Porque, citando a Adam Smith, la división del trabajo no es fruto de la sabiduría humana, que prevé y pretende la opulencia general a la que da lugar esa división del trabajo.²²

De acuerdo con Vernon Smith, el intercambio impersonal a través de los mercados tiende a ser percibido como un juego de suma cero, en el que dicha percepción de ninguna manera disminuye la capacidad de los mercados para hacer el trabajo que describieron y articularon Adam Smith y Mises. Los programas intervencionistas son el resultado de la aplicación inapropiada por la gente de la intuición y la experiencia de cambio social y personal a los mercados, llegando a la conclusión de que debería ser posible intervenir y mejorar las cosas. La gente utiliza su intuición, no su razón (como esperaba Mises), en el pensamiento sobre los mercados, y se equivoca.²³

Tal y como estudian Cosmides y Tooby, pioneros de la psicología evolucionista, con una sola excepción, las relaciones entre individuos siempre se han basado en el «altruismo recíproco» debido a que nos dedicábamos a cazar con herramientas toscas y a seres más fuertes y grandes, y también a que (en el caso de las mujeres) para ocuparse de cuidar a la prole, recoger frutos y raíces, cuidar de enfermos, etc., lo inmediato era colaborar. Pero siempre esperando que te ayudaran. De ahí, se pasó al intercambio como lo concebimos hoy, y también al altruismo puro como

²² Smith, Adam (1994), pp. 44.

²³ Smith, Vernon L., (1999), pp. 12-14.

subproducto del altruismo recíproco. La excepción de relación que desde el principio es altruismo puro es el caso de la madre, que alimenta al bebé sin esperar nada «personal» como contraprestación, sino por instinto, porque así la especie se mantiene. La importancia de estos aspectos y lo novedoso del enfoque lo demuestra el que actualmente Cosmides y Tooby estudian el surgimiento de la generosidad, que emerge en decisiones cooperativas bajo incertidumbre, entre otras consecuencias derivadas del intercambio.

Finalmente, hay un aspecto del intercambio relacionado con la teoría del conocimiento, que Hayek puso de manifiesto y que solamente voy a apuntar, ya que constituye el centro de una investigación en marcha.

El funcionamiento de la economía es tan inaccesible a la conciencia de sus agentes, hombres de negocios incluidos, como lo son los procesos de funcionamiento de sus propios cerebros. El funcionamiento de la economía no son el producto, ni pueden ser el producto, de la razón consciente, que debería, en palabras de Hayek:

...reconocer sus limitaciones y afrontar las implicaciones del asombroso hecho, revelado por la economía y la biología, consistente en que el orden generado sin diseño puede adelantar con mucho los planes que el hombre puede idear conscientemente.²⁴

V CONCLUSIÓN

Los estudios de la teoría de la mente y de la decisión por parte de neurocientíficos y psicólogos evolucionistas, que ya cuenta con una década, aportan un punto de vista novedoso y fructífero para la teoría económica que tiene como objeto la toma de decisiones económicas.

Un camino por recorrer aún es el estudio comparativo de las premisas defendidas respecto al hombre como agente decisor en

²⁴ Hayek (1988), p. 6.

la economía por diferentes escuelas de pensamiento económico. De ellas, la Escuela Austriaca de Economía sobresale por su énfasis en la acción humana y su descripción del proceso de mercado como un fenómeno derivado de la misma.

A pesar de los problemas metodológicos que, en un principio pueden aparecer como un muro insalvable, es indudable que una reconsideración de la teoría de la mente y de los determinantes de la acción humana desde el punto de vista científico, enriquecen, por un lado, y confirman, por otro, las teorías desarrolladas por esta escuela de pensamiento.

Si bien es necesario no perder de vista los fundamentos de la Escuela Austriaca, es previsible que futuros estudios en esta dirección, por ejemplo, tomando en consideración los aportes de Hayek, muestren unos resultados que reforzarán la importancia y superioridad de la teoría austriaca en el panorama de la historia del pensamiento económico.

REFERENCIAS BIBLIOGRÁFICAS

- BECHARA, A.; DAMASIO H.; TRANEL D. y DAMASIO, A.R. (1997): «Deciding Advantageously before Knowing the Advantageous Strategy.» *Science* 275 (28 February).
- COSMIDES and TOOBY (1992): «The Psychological Foundations of Culture.» En J. Barkow, L. Cosmides, and J. Tooby (eds.) *The Adapted Mind: Evolutionary Psychology and the Generation of Culture*, Oxford: Oxford University Press.
- DAMASIO, (1994): *Descartes' Error*. New York: Avon Books.
- FEHR, E.; GÄCHTER, S. y KIRCHSTEIGER, G. (1996): «Reciprocity as a Contract Enforcement Device: Experimental Evidence.» *Econometrica* 65.
- FRENCH, D. (2008): «Does Neuroscience Support Austrian Theory?» *Mises Daily*, 13 de febrero.
- GAZZANIGA, M. (1998): *The Mind's Past*. Berkeley: University of California Press.
- GEOFFREY, M. Hodgson (2004): «Austrian Economics, Evolutionary Psychology and Individual Actions», *Advances in Austrian Economics*, Vol. 7.

- HAYEK, F. von, (1988): *The Fatal Conceit*, Chicago, University of Chicago Press.
- HORWITZ, S. (2008): «Monetary Calculation and the Extension of Social Cooperation into Anonymity», *Journal of Private Enterprise Education*.
- MISES, L. von (1962): *The Ultimate Foundation of Economic Science. An Essay on Method*. Van Nostrand Company. En <http://mises.org/books/ultimate.pdf>
- (1994): *La Acción Humana*, Unión Editorial.
- RAY, W.J. (2013): *Neuroscience Perspectives concerning Human Behavior and Experience*, Pennsylvania State University, SAGE Publications, Inc.
- SIMON, H. (1997): *An Empirical Based Microeconomics*, Cambridge, Cambridge University Press.
- SMITH, A. (1999): *La Riqueza de las Naciones*, Madrid, Alianza Editorial.
- SMITH, V.L., (1999): «Reflections on *Human Action* after 50 Years», *Cato Journal*, Vol. 19, N.º 2, Fall.
- TREMBLAY, L. and SCHULTZ, W. (1999): «Relative Reward Preference in Primate Orbitofrontal Cortex.» *Nature* 398 (22 April).
- VANBERG, V.J. (2004): «Austrian Economics, Evolutionary Psychology and Methodological Dualism: Subjectivism Reconsidered», Freiburg discussion papers on constitutional economics, N.º 04/3.

BRUNO LEONI AND THE SOCIALIST ECONOMIC CALCULATION DEBATE

CARMELO FERLITO*

Fecha de recepción: 25 de junio de 2012.

Fecha de aceptación: 19 de diciembre de 2012.

Resumen: La contribución italiana al debate sobre el cálculo económico socialista (SECD) no puede limitarse a las aportaciones importantes y fundamentales de Pareto y Barone. De hecho, si sus contribuciones son todavía ambiguas y tenemos que esperar al trabajo de Mises de 1920 para obtener las aclaraciones necesarias, durante la década de los sesenta Bruno Leoni siguió los pasos de los austriacos en lo referente a este tema, estimulando en Italia un gran debate. El papel de Bruno Leoni es importante debido al debate que promueve y a los académicos que implica, pero también porque sitúa la cuestión del cálculo económico socialista en el contexto más amplio del Estado de Derecho.

Palabras clave: Bruno Leoni, debate sobre el cálculo económico socialista, Economía Austriaca.

Clasificación JEL: B25, P21, P22.

Abstract: The Italian contribution to the Socialist Economic Calculation Debate (SECD) cannot be limited to the important and fundamental works by Pareto and Barone. In fact, if their contributions are still ambiguous and we have to wait for the Mises' paper in 1920 in order to get the needed clarifications, during the 1960s Bruno Leoni follows the Austrian footsteps on the topic, stimulating in Italy a great debate. Bruno Leoni's role is important because of the debate he promotes and the scholars he involves, but also because he places the matter of the socialist economic calculation in the broader context of the rule of law.

Key words: Bruno Leoni, Socialist Economic Calculation Debate, Austrian Economics.

JEL Classification: B25, P21, P22.

* PhD in Economics. A-21-07 Casa Tiara Serviced Apartments, Persiaran Kemajuan Subang, SS16/1, 47500, Subang Jaya, Selangor, Malaysia. Tel: 00 60 (3) 56118243.

I
THE SOCIALIST ECONOMIC CALCULATION DEBATE
(SECD): AN INTRODUCTION

The Socialist Economic Calculation Debate (SECD) involved in the first part of the 20th century a great number of important economists. The purpose of the present paper is not to summarize the debate, since this work is already done and the scholars which are looking for the best summaries have to start with Huerta de Soto (2010, chapters 4, 5 and 6)¹ and White (2012, chapter 2).

Mises and Hayek faced, in particular during the 1920s and 30s, many socialist economists on one central point: is it possible to have a rational economic calculation under a socialist society? Actually, the question has to be considered much more deep than a simple economic problem. In fact, in answering to the question a perspective on human society arises. The point is: can the plan from a single man or institution (the central planner) replace the free action of the persons in a complex society?

Following Huerta de Soto (2010), we can think to the society (and market is one peculiar institution inside the society) as the place where the individuals meet each other, with their expectations and plans. In trying to accomplish their plans, all persons are entrepreneurs.

According to the Austrian vision, a *dynamic* equilibrium, in which human actions try to coordinate in order to accomplish the plans, is possible to be reached only if actions are free. This doesn't mean that all the plans will be reached and we can obtain a *static* and *perfect* equilibrium like in the neoclassical theory. But, in a free society the people are free to learn from their mistakes, so they are free to amend their plans and expectations, according to what they learn from the mistakes and from the interaction with other people.

According to the socialist view, instead, it is possible for a central planner to collect all data in order to produce a perfect economic calculation. In this way, it is the central authority that

¹ The bibliography on the debate is really huge. Here we'd like to suggest to read Lavoie (1981), Rothbard (1991) and Boettke (2001).

supplies the information to the actors in terms of prices, goods to be produced, quantities, etc... These idea became so common during the 1920s and 30s, that a certain degree of central planning was widely accepted outside from the Marxist environment. Keynes is the most important example, while the neoclassical theory is the «liberal» and mathematical version of this intellectual mistake.

For more than half a century, the belief that deliberate regulation of all social affairs must necessarily be more successful than the apparent haphazard interplay of independent individuals has continuously gained ground until to-day there is hardly a political group anywhere in the world which does not want central direction of most human activities in the service of one aim or another. (Hayek, 1935a, p. 1).

The fundamental objection coming from the Austrian side is that a central plan can work only in a static society, in which all data are known and the content of information never changes between the starting and the ending moments of the economic process. This, of course, is not the real world. The first mistake is that data cannot be known, as already recognized by Pareto.² Actually, data doesn't exist in the beginning of economic process. They start to be generated by the actors, when they decide *to do something*. These actions (i.e., to think what should I produce in order to get a profit) take place in space and in time, crossing each other. It is the price-mechanism that permits that coordination between the actions and the plans,³ so they can be redirected according to the modified content of information: discovering mistakes, acquiring new information, new actors...

With no price-mechanism and with no money,⁴ no economic calculation is conceivable. Economists (neoclassical, socialists, Marxists) never recognized the nature of the challenge by Mises and Hayek. They always debated on a static level. But, as Huerta

² Quoted in Hayek (1975a).

³ Hayek (1935a), pp. 7-8.

⁴ Hayek (1935b), p. 206.

de Soto (2010, p. 8) explains, Mises always said that economic calculation, from a static perspective, poses no problem in a socialist commonwealth. The problem arises when we shift to the real world, when the basic fact is the coordination between unpredictable actions in the space and time, according to expectations that can continuously change. The nature of the problem, thus, is totally dynamic.

The other classical objection against the Austrians is that the problem can be solved with accurate mathematical methods and with computers. This is not true, because the problem is not practical, it is theoretical. The essence of the matter is that information is not known and is continuously generated during the action process and it changes in time according to the new information.

Finally, also every «competitive solution», as a mix between free market and economic plan, cannot work, because it doesn't solve the fundamental problem: the source and changeable nature of the information in time and space.⁵

What we will analyze in the paper is the contribution of an Italian scholar, Bruno Leoni, to the debate. As we will see, his contribution is important because it takes place in a country, Italy, and in a period, the 1960s, in which the environment, political and economic, is completely against the free market. The voice of Bruno Leoni is, in that context, almost the only one following the Austrian School of Economics.

II SOME ITALIAN PRECURSORS OF BRUNO LEONI: PARETO AND BARONE

As we saw, the peak on the socialist economic calculation debate (SECD) is reached in the inter-wars period, when in general the economic debate lives a moment of glory that probably will be experienced no more in the future.⁶ The other important topic

⁵ Hayek (1940).

⁶ See Shackle (1983).

developed in these years regards business cycle theory; also in this field the Austrian economists contribution, in particular Mises and Hayek, is recognized as fundamental. In general, the German speaking scientific environment is the more dynamic one, while the English world will emerge only in a second moment, after the Keynes' *General Theory* (1936).

Regarding the SECD,⁷ although the peak of the debate is developed around Mises (1935) and Hayek (1935c), important contributions come from other parts of the world. Okon (1997, 2009, 2011) tells us as that the Yamamoto's thought is crucial for the debate in Japan, but something interesting comes also from Italy, in a peculiar way. It has to be noted that we have two important Italian authors which bring out an analysis on the topic before Mises (1935). They are Pareto (1902, 1996) and Barone (1935). Actually, the 1890-1914 period can be considered very bright for the Italian economic analysis,⁸ as stated by Schumpeter (2006, p. 822), referring in particular to Pareto:

The most benevolent observer could not have paid any compliments to Italian economics in the early 1870's; the most malevolent observer could not have denied that it was second to none by 1914. The most conspicuous component in this truly astounding achievement was no doubt the work of Pareto and his school [...] even independently of Pareto, Italian economics attained a high level in a variety of lines and in all applied fields.

In writing this Schumpeter has in mind Vilfredo Pareto, Maffeo Pantaleoni, Enrico Barone and Antonio De Viti de Marco, all of them born between 1848 and 1858.⁹ Schumpeter (2006, p. 825), adds that Barone «blocked out the theory of a socialist economy in a manner on which the work of our own time has not substantially improved». The Austrian economist devotes a lot of attention to Pareto, and also deeply describes the Barone's

⁷ For a general account on the SECD, see Huerta de Soto (2010).

⁸ We can only mention here the fundamental role played by Maffeo Pantaleoni in the further development by Pareto and Barone. On Pantaleoni see Bellanca and Giocoli (1998).

⁹ Fauci (1990), p. 187.

1908 article,¹⁰ but concluding, with his traditional emphasis, that

[t]hree leaders, von Wieser, Pareto, and Barone, who were completely out of sympathy with socialism, created what is to all intents and purposes the pure theory of the socialist economy, and thus rendered a service to socialist doctrine that socialists themselves had never been able to render. (Schumpeter, 2006, p. 952).

Here we cannot deep the analysis of Pareto's and Barone's thought. We will talk about that analyzing Leoni (1965b, 1965c). Barone's paper, actually, caught a lot of attention and admiration, and we have to think that even Hayek wanted to publish it in his Hayek (1935c). But both Pareto and Barone weren't able to deep the matter as Mises (1935) did. In particular, they failed to clearly assert and specify that the problem involved in the economic calculation is not a mathematical one, but a problem related with the possibility to obtain information, eventually needed to the mathematical problem.¹¹

Next we should mention the contribution of Vilfredo Pareto. We have an ambivalent assessment to make of Pareto's influence on the subsequent debate over socialist economic calculation. His influence was negative to the extent that he focused on the mathematical analysis of economic equilibrium, an approach which always presumes from the beginning that all information necessary to achieve equilibrium is available. This approach gave rise to the idea, which Enrico Barone later developed and many other economists repeated ad nauseam, that the problem of economic calculation in socialist economies could be mathematically resolved in the very same way it had been raised and resolved

¹⁰ Schumpeter (2006), pp. 952-955.

¹¹ «Economic choice does not consist in comparing the items in a list, known to be complete, of given fully specified rival and certainly attainable results. It consists in first creating, by conjecture and reasoned imagination on the basis of mere suggestion offered by visible or recorded circumstance, the things on which hope can be fixed. These things, at the time when they are available for choice, are thoughts and even figments»; Schackle (1972), p. 96, quoted in Lachmann (1994b), p. 240.

by mathematical equilibrium economists in the case of a market economy. Nonetheless, neither Pareto nor Barone is totally responsible for the incorrect interpretation just mentioned, since both explicitly drew attention to the impossibility of solving the corresponding system of equations without the information the market itself provides. Specifically, in 1897, Pareto went so far as to assert, in reference to solving the system of equations which describes equilibrium: «As a practical matter, that is beyond the power of algebraic analysis ... In that case the roles would be changed; and it would no longer be mathematics which would come to the aid of political economy, but political economy which would come to the aid of mathematics. In other words, if all these equations were actually known, the only means of solving them would be to observe the actual solution which the market gives». Pareto expressly denies the possibility of accessing the information necessary even to formulate the system of equations which would make it possible to describe equilibrium, and he simultaneously touches on a secondary problem: the algebraic impossibility of solving, in practice, the system of equations which formally describes equilibrium. (Huerta de Soto, 2010, pp. 100-101).

Actually, both Pareto and Barone specified that the problem is not a mathematical one. In Pareto (1996, pp. 233-234) we can read:

Les conditions que nous avons énumérées pour l'équilibre économique nous donnent une notion générale de cet équilibre. Pour savoir ce qu'étaient certains phénomènes nous avons dû étudier leur manifestation; pour savoir ce que c'était que l'équilibre économique, nous avons dû rechercher comment il était déterminé. Remarquons, d'ailleurs, que cette détermination n'a nullement pour but d'arriver à un calcul numérique des prix. Faisons l'hypothèse la plus favorable à un tel calcul; supposons que nous ayons triomphé de toutes les difficultés pour arriver à connaître les données du problème, et que nous connaissions les ophélimités de toutes les marchandises pour chaque individu, toutes les circonstances de la production des marchandises, etc. C'est là déjà une hypothèse absurde, et pourtant elle ne nous donne pas encore la possibilité pratique de résoudre ce problème. Nous avons vu que dans le cas de 100 individus et de 700 marchandises il y aurait 70.699 conditions (en réalité un grand nombre de circonstances,

que nous avons jusqu'ici négligées, augmenteraient encore ce nombre); nous aurons donc à résoudre un système de 70.699 équations. Cela dépasse pratiquement la puissance de l'analyse algébrique, et cela la dépasserait encore davantage si l'on prenait en considération le nombre fabuleux d'équations que donnerait une population de quarante millions d'individus, et quelques milliers de marchandises. Dans ces cas les rôles seraient changés: et ce ne seraient plus les mathématiques que viendraient en aide à l'économie politique, mais l'économie politique que viendrait en aide aux mathématiques. En d'autres termes si on pouvait vraiment connaître toutes ces équations, le seul moyen accessible aux forces humaines pour les résoudre, ce serait d'observer la solution pratique que donne le marché.

Huerta de Soto (2010, p. 101) explains how the Barone's perspective is very similar to the Pareto's one.

Following Pareto, Enrico Barone, in his well-known 1908 article devoted to the application of the paradigm Pareto initiated to the collectivist state, explicitly asserts that even if the practical difficulty of algebraically resolving the above system of equations could be overcome (which is not theoretically impossible), it would in any case be inconceivable (and therefore would be theoretically impossible) to obtain the information necessary to determine the technical coefficients required to formulate the corresponding system of equations.

In fact, Barone (1935, pp. 287-288) states that it

is not impossible to solve on paper the equations of the equilibrium. It will be a tremendous —a gigantic— work: but it is not an *impossibility* [...] But it is frankly *inconceivable* that the economic determination of the technical coefficients can be made *a priori* [...] This economic variability of the technical coefficients is certainly neglected by the collectivists [...] It is on this account that the equations of the equilibrium with the maximum collective welfare are not soluble *a priori*, on paper.

These words drove Schumpeter to believe that Barone clearly solved the problem of the economic calculation in a socialist

society.¹² But even Schumpeter was misguided,¹³ and following Huerta de Soto we have to conclude that the Pareto's and Barone's statements are not so clear to consider them as solvers of the problem.¹⁴

Despite these clear (though isolated) warnings, we stated earlier that our assessment of Pareto's and Barone's contributions is ambivalent. In fact, though both authors explicitly refer to the practical obstacles to solving the corresponding system of equations, and they also mention the insurmountable theoretical impossibility of obtaining the information necessary to describe equilibrium, by initiating a new scientific paradigm in economics, one based on the use of the mathematical method to describe the equilibrium model at least in formal terms, they are inexorably forced to assume that, at least in these formal terms, the necessary information is available. Hence, regardless of the reservations Pareto and Barone voiced in passing, a very large number of the economists who have continued the paradigm they initiated still fail to understand that the mathematical analysis of equilibrium has, at most, a hermeneutical or interpretive value which adds not one iota to the possibility of theoretically solving the problem faced by all governing bodies which aim to acquire the practical information necessary to coercively plan and coordinate society. (Huerta de Soto, 2010, pp. 100-101).

¹² This point is well developed in Lavoie (1981).

¹³ Huerta de Soto (2010), p. 125. Schumpeter (2003, pp. 172-173), states: «given a socialist system of the kind envisaged, is it possible to derive, from its data and from the rules of rational behavior, uniquely determined decisions as to what and how to produce or, to put the same thing into the slogan of exact economics, do those data and rules, under the circumstances of a socialist economy, yield equations which are independent, compatible —i.e., free from contradiction— and sufficient in number to determine uniquely the unknowns of the problem before the central board or ministry of production?

1. The answer is in the affirmative. There is nothing wrong with the pure logic of socialism. [...]

The only authority standing for denial that we need to mention is Professor L. von Mises. [...]

The economist who settled the question in a manner that left little to do except elaboration and the clearing up of points of secondary importance, was Enrico Barone».

¹⁴ On the differences between Mises and Barone see also Rothbard (1991).

Until Mises (1935) we have to consider the debate and the problem still not properly approached. We wish to remark here only that the Italian contribution to the SECD is but of secondary importance. In general, the Italian economics preserves a very high degree of development until the Second World War. If in the Thirties Hayek discovers Barone, this one is not the only Italian economist to be appreciated abroad, in particular in the German environment. The Italians are very active in promoting and developing a monetary theory and a business cycle analysis that's very close to the ones that in the same time are arising from Austria and Germany through the pens of Hayek and Arthur Spiethoff.¹⁵ We have to mention in particular Costantino Bresciani-Turroni,¹⁶ Gustavo del Vecchio,¹⁷ Marco Fanno¹⁸ and the original contribution (but still German-oriented) of Guido Menegazzi.¹⁹

The Keynesian revolution will change the situation in Italy too and the context in which Bruno Leoni will bring out his contribution is completely different. The common ground between Italians and German speaking environments disappears and the new leading economists belong to a different school, no more free-market oriented, but more close to the Keynesian «gospel» and the socialistic utopia. In Italy the new revolution takes place combined with the neo-ricardian approach of Piero Sraffa. It is what we will see in the next section.

III

ITALIAN ECONOMICS IN THE 1960S: HINTS

Leoni's work on the topic arises in a hostile environment. Bruno Leoni writes and promotes a general debate on the SECD in the

¹⁵ On the connection between Hayek's and Spiethoff's approach on business cycle see Ferlito (2010a). On the Spiethoff's business cycle theory see Ferlito (2010b). On the links between the Italian analysis and the Austrian Business Cycle theory see Ferlito (2012), paragraph 3.

¹⁶ See Hagemann and Rösch (2001), pp. 193-195; Pavanelli (2000), p. 531; Realfonzo (2000), p. 534.

¹⁷ Realfonzo (2000), pp. 545 and 554.

¹⁸ See Nardi Spiller (2010) and Nardi and Pomini (2007).

¹⁹ See Ferlito (2011b).

beginning of the Sixties; these are years in which in Italy the economic freedom thought is suffering and in the politics the liberal influence of Luigi Einaudi is finished. In 1962 the first centre-left coalition (Christian-democrats and social-democrats) takes the power (Amintore Fanfani, the famous economic historian, is Prime Minister); it is the year in which the government promotes the nationalization of electrical supply. The Sixties are very famous in Italy because of the increasing role of unions, proclaiming long strikes and creating a lot of inflationary troubles.

The economic theoretical situation, instead, is lead by two Sraffian economists, Luigi Pasinetti and Paolo Sylos Labini.²⁰ Indeed, it is in 1960 that, finally, Piero Sraffa publishes *Production of Commodities by Means of Commodities*.²¹ But this work has to be considered only as the arrival point in the Sraffian reflection, started in the Twenties. Communist and friend with Antonio Gramsci, Piero Sraffa²² meets Keynes in London in the early Twenties, thanks to Gaetano Salvemini and Mary Berenson. In 1927 he moves to Cambridge, thanks to Keynes, which makes it possible for the young economist to publish important papers and to start the collection of the Ricardo's work; we have to recall in particular the Sraffa-Hayek²³ debate on money and capital, following the Hayek-Keynes debate on the same topic.

As stated by Gustavo del Vecchio, Sraffian economics is like coming back to Ricardo.²⁴ Lachmann (1973, 1994a) speaks about neoricardian revolution. With his analysis, however, he becomes an example for the young generation of economists that's growing up in Italy, in particular because of the criticism against the Italian tradition, against Pantaleoni and Barone. In particular, Sraffa wishes

²⁰ Of course, the scenario is more complex and we have to mention the relevance of Giuseppe di Nardi and Federico Caffè, the great leader of Political Economy School, suddenly and mysteriously disappeared the day after his retirement. But the scope of the present paper forces us to limit our hints to Pasinetti and Paolo Sylos Labini, because of their Sraffian approach.

²¹ See Sraffa (1960). The book is published in Italian and English in the same year.

²² For a biographical sketch on Sraffa, see Ruffolo (2005), pp. 257-288.

²³ See Sraffa (1932a, 1932b) and Hayek (1932). On the Hayek-Sraffa debate see in particular Lachmann (1994a).

²⁴ See Faucci (1990), p. 206.

to deeply criticize the marginalistic approach, suggesting to go back to the classical approach. In this path, Roncaglia (1990, p. 235) shows three steps: the critics to Marshall, the critic edition of Ricardo's works and the publishing of Sraffa (1960). As well explained also in Lachmann (1994a), Sraffa (1932a) can be considered the start of a neo-ricardian revolution against the subjectivist approach; the young Italian only apparently is Keynesian; he uses Keynesian instruments, but he is fully Ricardian.²⁵

We cannot deep here the development of the Sraffa's thought. It is interesting to read Roncaglia (1990), which identifies two economists that after the Second World War collect the Sraffa heritage in order to develop new approaches still strictly related with Sraffa. We can identify the *Ricardian* approach of Pasinetti²⁶ and the *Smithian* approach of Sylos Labini.²⁷

Pasinetti²⁸ develops a growth model starting with Ricardo but including also the post-keynesian distribution theory (the distribution of wealth between salaries and profits is linked with the investments, through the consumption propensity and the growth rate). The other fundamental contribution is the theory of the vertically integrated industries. The Pasinetti's purpose is to build up a new theory, connecting Keynes and Kalecki, Leontief and Sraffa, the Harrod-Domar model.²⁹

Sylos-Labini, instead, which studied also with Schumpeter at Harvard, traces back his research development to Smith, but starting with the Schumpeter's heritage on the different market typologies, stressing in particular the role of innovation and big corporations in an oligopolistic scenario. His methodological approach comes from Smith, while his major works are the attempt to build a Keynesian framework on the market typologies. From Schumpeter he takes the role of innovations, but the general approach is the Keynesian macroeconomics à-la-Sraffa. Concerning

²⁵ On the neo-ricardian revolution see Lachmann (1973), chapter 3.

²⁶ Roncaglia (1990), pp. 248-251.

²⁷ Roncaglia (1990), pp. 255-258.

²⁸ On Sraffa's and Pasinetti's role in the ricardian revival see Lachmann (1973), chapter 3, section B.

²⁹ Roncaglia (2003), pp. 509-511.

business cycle theory, instead, he develops a model based on Schumpeter, Keynes and Marx.³⁰

IV THE LEONI'S CONTRIBUTION TO THE SECD

We have to be sincere since the beginning. The Leoni's contribution to the SECD is not important *in itself*. As we will see, he stresses and repeats the Mises' original contribution, published in 1920. However, as we already pointed out, the Leoni's effort is really important considering the general hostile environment that we can find in Italy, at that moment, regarding the free-market approach.

Bruno Leoni promotes the debate through *Il Politico*, a liberal journal, still published nowadays, in which even Hayek publishes around ten papers between 1951 and 1970.³¹ In *Il Politico* Hayek signs a Leoni's memory in 1968.³² For this journal Leoni writes several papers on the SECD and, more important thing, invites many prominent scholars to join the debate. It is useful to take a look to the contents of the journal issues regarding the topic.

— *Il Politico*, Quaderno No. 1: *La ricomparsa della pianificazione economica in occidente*,³³ 1963.

- Bruno Leoni, *La ricomparsa delle teorie della pianificazione economica in occidente*, p. 5; *The revival of «Economic Planning» in the West*, p. 7.
- A.A. Shenfield, *La pianificazione economica in Gran Bretagna: pretese e realtà*, p. 9.
- Leon Derwa, *Planisme et liberté économique*, p. 26.
- Agustín Navarro Vazquez, *La recente rinascita della pianificazione economica in alcuni paesi occidentali*, p. 47.

³⁰ See Ferlito (2011a).

³¹ A complete list of the Hayek's writing with the Italian edition is in Ferlito (2009), where the list of Hayek's contributions to *Il Politico* can be found too.

³² Hayek (1968). Bruno Leoni dies in 1967, killed asking for the monthly rent to one of his tenants.

³³ *The revival of «Economic Planning» in the West*.

- Walter Stervander, *A Note on Structural Planning in Sweden*, p. 61; *La pianificazione strutturale in Svezia*, p. 67.
 - Hans F. Sennholz, *The Alliance for Progress*, p. 74; *L'Alleanza per il Progresso*, p. 83.
 - Ralph Harris, *Information and Plannign*, p. 92; *Informazioni e pianificazione*, p. 96.
 - Lawrence Fertig, *Economic Planning in Some Western Countries*, p. 100; *Pianificazione economica in alcuni paesi occidentali*, p. 108.
 - Sergio Ricossa, *Sulla recente ricomparsa della pianificazione in Italia*, p. 117; *On the Recent Revival of Economic Planning in Italy*, p. 119.
 - James M. Buchanan, *Sovranità nazionale, pianificazione nazionale e libertà economica*, p. 121.
 - Paul Hatry, *Some Remarks on the Latest Tendencies towards Economic Planning in Some Occidental Countries*, p. 128; *Qualche rilievo sulle più recenti tendenze alla pianificazione economica in alcuni paesi occidentali*, p. 130.
 - Henry Hazlitt, «*Planning*» versus the Free Market, p. 132; «*Pianificazione*» contro il mercato libero, p. 139.
- Il Politico, xxx, 3: *Problemi della pianificazione sovietica*,³⁴ September 1965.
- Bruno Leoni, *Il problema del calcolo economico nell'economia di piano*, p. 415.
 - Bruno Leoni, *Il contributo del Pareto allo studio del problema del calcolo economico in una società di piano*, p. 455.
 - Alec Nove, *Les problèmes actuels de la planification soviétique*, p. 461.
 - Alec Nove, *La funzione dei prezzi nell'economia sovietica*, p. 474.
 - Basile Kerblay, *La planification en tant que facteur de l'industrialisation soviétique*, p. 490.
 - Basile Kerblay, *Les avancées, les reculs et les perspectives de l'agriculture soviétique*, 505.
 - Agostino de Vita, *I grandi aggregati dell'economia sovietica*, p. 518.
 - Renato Roncaglia, *Pianificazione sovietica e commercio estero*, p. 548.
 - Gino Martinoli, *Impressioni di un viaggio nell'Unione Sovietica*, p. 566.
 - Feliks Gross, *Beginnings of Major Patterns of Political Parties*, p. 582.

³⁴ *Problems of the soviet plan.*

- Justus M. van der Kroef, «*The One*» «*the Two*»: *the Dialectical Rationale of the Sino-Soviet Dispute*, p. 599; «*L'Uno*» e «*i due*»: *la base logica dialettica della controversia cino-sovietica*, p. 609.
 - Joseph S. Roucek, *Communist China's Shadow over South America*, p. 620.
 - Umberto Melotti, *Note sul concetto di rivoluzione*, p. 631.
- Il Politico, Quaderno No. 2: *Nuovi studi sulla pianificazione*,³⁵ 1965.
- Bruno Leoni, *Il mito del piano*, p. 5; *The Myth of the «Plan»*, p. 9.
 - James M. Buchanan, *Are Rational Economic Policies Feasible in Western Democratic Countries?*, p. 13; *È possibile attuare delle politiche economiche razionali nei paesi democratici occidentali?*, p. 21.
 - Walter Hamm, *Recent Experience of Economic Planning in the Federal Republic of Germany*, p. 31; *Recenti esperienze di pianificazione economica nella Repubblica Federale Tedesca*, p. 37.
 - Paul Hatry, *La programmation économique en Belgique*, p. 43.
 - Sergio Ricossa, *Economic Planning in Italy since 1943*, p. 53; *La programmazione economica in Italia dal 1943*, p. 57.
 - Jacques Van Offelen, *Recent Experience of Economic Planning in Western Countries*, p. 61; *Recenti esperienze di pianificazione economica nei paesi occidentali*, p. 67.
 - Daniel Villey, *La planification en France*, p. 73.
 - A. De Graff, *Recent Experience of Central Economic Planning in the Netherlands*, p. 83; *Recenti esperienze di pianificazione economica centrale nei Paesi Bassi*, p. 87.

The list of scholars joining the debate promoted by Leoni is really amazing. We can find very important names like Buchanan, Nove, Sennholz, Hazlitt. As it is possible to argue reading the contributions titles, the claim for a debate comes mainly from the emerging situation in Eastern Europe, where the situation of the socialist economies is a reality. But we can find also some historical records about central planning experiments in Western countries.

We don't need to talk too much about Leoni (1963). It is just an introduction to a special issue (Quaderno) of *Il Politico*, titled

³⁵ *New studies on economic planning*.

The revival of «Economic Planning» in the West. The *quaderno* collects papers from a conference, held in Belgium on September 1962 organized by the Mont Pelerin Society, the famous liberal think-tank founded in Swiss in 1947. As Leoni (1963, p. 451) states, the special issues can be divided into two parts; five papers (Derwa, Harris, Buchanan, Hatry and Hazlitt) talk about the theoretical problems concerned with economic planning; the others (Shenfield, Navarro, Stervander, Sennholz, Fertig, Ricossa) deal with practical examples of economic planning in some Western countries. It is interesting to note as Buchanan affirms that no national central plan is compatible with an international integration (in that years the European Economic Community is moving her first steps). Hazlitt, instead, stresses the link between plan and political constraint.

In the *Quaderno* no. 2 too, the Leoni's paper is an introduction. All the papers are devoted to plan experiences in the Western countries, while Buchanan, again, faces theoretical terms of the matter. Leoni (1965c) is longer than Leoni (1963) and it can be considered as a brief summary of the evolution of the SECD; in particular, Leoni wishes to criticize the widespread belief that central planning is better than free market.

«Programming» or «planning» of a country's economic process is today presented as a sort of scientific device which could make the same process more rational, more coordinate, better calculable and foreseen, by overcoming the deficiencies of the market economy.

The country's government should see to this «progress» or a committee of experts appointed by it who would be concerned, through their researches and suggestions and finally through the orders of the authority that appoints them, with eliminating or at least «correcting» the so-called «market-anarchy».

Today no idea seems more popular, at any rate in certain environments of amateur economists and amateur political economists, and at the same time more mistaken. (Leoni, 1965c, p. 9).

Then Leoni (1965c, pp. 9-10) stresses that Pareto and Barone recognize that the central planner has to face the same troubles of private entrepreneurs, «to produce the consumers goods *on*

demand and to produce them *at economic costs*». According to Leoni, Pareto and Barone realize that the nature of the problem is not mathematical, but of experience; it means that economic calculation can be possible only through the free action on the market, doing mistakes, trying something, under the guidance from the price mechanism. But then the Italian author affirms that the intuition by Pareto and Barone is developed only later on by Brutzkus, Pierson, Mises and Max Weber.

Leoni (1965c, p. 10) clarifies the central point coming from Mises and the others and that Pareto and Barone missed to clearly express: the central planner cannot follow the way to act of the entrepreneurs, because in a planned economy disappears the fundamental criterion of verification, the mean to transmit information, the price mechanism. This objection, according to Leoni (1965c, p. 11), has to be applied to central planning at any grade, not only to full communist societies.

Leoni, as Huerta de Soto (2010), emphasizes as the problem is not mathematical, but basically related to the creation and transmission of information, that can occur only when people are free to act.

The problem of economic calculation is an ever-recurring problem of comparison between subjective judgements of value expressed at every moment, in a monetary economy, in the market prices, not with the purpose of establishing impossible measurements or equivalences between the various individual valuations, but only to express priorities among needs which each interested individual considers more urgent, in every single moment of his participation in the economic process. (Leoni, 1965c, p. 12).

However, we have to stress a different accent in the Leoni's analysis if compared with Mises and the detailed Huerta de Soto (2010). The traditional Mises (1935) stresses the importance of the price mechanism in the creation and transmission of information. Leoni's perspective is not different, but the way to express this follows a more accountancy language; we believe that this is due to the accountancy theoretical tradition in Italy, that is very strong due to great teachers like Fabio Besta.

[A]lthough all that remains valid that Pareto and Barone, had established concerning the impossibility of determining the economic process by means of a priori calculations, the possibility does not thereby follow at all that the central planner provides for the production with the method of the private operators.

The latter in fact can always carry out their experiences in market-regime availing themselves of the criterion of verification, simple and classical, which consists in comparing costs and proceeds both expressed in market prices. (Leoni, 1965c, p. 10).

As we will see also discussing about Leoni (1965a), the Italian scholar refers to the comparison between costs and proceeds in order to have a verification criterion. This is only apparently in contrast with Mises' terminology. In fact, Leoni states immediately that this criterion is possible because the terms of the problem are expressed in market prices. Thus, the centre of the problem comes again to be the possibility that only in the market market prices can arise, in order to generate that information that Leoni calls costs and proceeds.

As this problem cannot be solved with a-prioristic methods, without the free interaction in the market, the central planner has only

two possibilities: to try and foresee without any objectively valid method the needs of all the individuals and the most adequate manner of satisfying them, or to renounce to any non arbitrary attempt whatever of foreseeing and satisfying those needs, and to proceed at random disregarding the valuations of the individuals. (Leoni, 1965c, p. 12).

We can consider Leoni (1963) and Leoni (1965c) important mainly because they introduce the debate in the special issues of *Il Politico*. A deep analysis can be found, however, in Leoni (1965a), while Leoni (1965b) analyzes the Pareto's contribution to the debate.³⁶

³⁶ A collection of writings by Leoni on SECD and economic plan can be found in Leoni (2007, 2009).

Leoni seems to be convinced that Barone solved the problem implied by the SECD. He states that Mises simply deepens the analysis, while Barone already solved it. His way to be misguided is opposite to the Schumpeter's one. If the Austrian economist is convinced that Barone demonstrates that economic calculation in a socialist society is possible, the Italian affirms exactly the contrary. Huerta de Soto (2010) clarifies the matter. Schumpeter was wrong and misguided. Barone's statements are a little bit confused, but for sure he is sceptical about the possibility to solve a mathematical problem. What he misses to clarify and to stress heavily is what instead Mises does: the mathematical problem not only cannot be solved, but cannot be formulated too, because in a planned economy the price mechanism, generating the information eventually needed for such equation system, is not working at all, replaced by arbitrary thoughts of the planners.

What about Pareto? Leoni devotes to his contribution to the SECD a short paper.³⁷ As for Barone, Leoni (1965b) sees in Pareto a precursor of Mises' analysis. In fact, Pareto's works on the topic are published between 1896 and 1902. Again, Leoni (1965b, pp. 454-455) states as for Pareto the problem for the central planner is the same like for the private entrepreneur, to use his own resources in the better way. But for solving this problem Pareto stresses that are necessary the costs, arising only from the market process. Till now, Pareto states, no socialist thinker was able to replace the market mechanism with another one.

In fact, only in the market costs can be determined because only in the market the prices can emerge.³⁸ Without prices any economic calculation is not conceivable, and prices don't exist outside from the market. The central planner can only invent counting stratagems.³⁹ And Pareto also criticizes deeply the possibility to determine the prices through the production costs.⁴⁰

Leoni (1965b, p. 458) recalls how Pareto states that economics can do no predictions and without predictions any plan is useless.

³⁷ See Leoni (1965b).

³⁸ Leoni (1965b), p. 456.

³⁹ Leoni (1965b), p. 456.

⁴⁰ Leoni (1965b), p. 457.

What is different between Pareto and Mises, according to Leoni (1965b, p. 459), is the aim of the analysis. If Mises was looking for a demonstration that economic calculation is not possible in a planned economy, Pareto wishes to build a general and «pure» theory, valid for all the kind of economic systems.

The longest contribution of Leoni to the SECD is Leoni (1965a). In this paper we can find his clear view on the matter, starting with a definition: «The problem of the economic calculation can be defined in general as the problem to assess, which is the relationship between *costs* and *proceeds* of the satisfaction process in the economic choices».⁴¹

Thus, an action has to be defined as useful if proceeds overcome costs. The author explains that economies of any type, either centralized or free, have to solve this fundamental problem: the economic calculation intended as a mean to measure either the success or the failure of a certain economic concern.

Leoni stresses that the economic calculation problem has not to be confused with the problem to produce *a costi economici*, that's to produce in an effective way:

il primo problema ha infatti natura propriamente contabile, mentre la soluzione del secondo implica l'impiego di attività e capacità d'ordine imprenditoriale, tecnico e organizzativo, senza le quali la produzione non può avere successo.⁴² (Leoni, 1965a, p. 418).

Following this distinction, Leoni (1965a, p. 418) distinguishes between Pareto and Barone (more concerned with the problem to produce in an effective way) on one side, and Mises and Weber (which study the pure problem of the economic calculation) on the other one. The two problems are related, but they cannot be confused.

⁴¹ Leoni (1965a), p. 415. The paper is in Italian, any English translation comes from us.

⁴² We could translate this passage as follows: «the first problem, in fact, has a pure accounting nature, while the solution of the second one implies the use of entrepreneurial, technical and organizational activities and skills; without them, production cannot be successful».

The simple conclusion of Leoni, following Mises, is that only in a free market economy a solution can be brought out, because in the free market economy the information is exchanged between the actors through the prices. And the prices are the only valid mean to compare costs and proceeds. In a planned economy, in the absence of a market, the problem becomes technical, as economic choices are replaced by technical problems.

In the central part of the paper, Leoni analyses the historical setting of the debate, devoting a lot of pages to Mises, the critiques against him and the replied from Mises again. But in his conclusion, the Italian author again stresses that no technical solutions can be found to solve the problem, the nature of which is strictly economic, referring to the human action. So, the only possible approach is the one coming from Mises, centred on the human interaction as generator of market prices as only way to rationally discover the success of an entrepreneurial choice.

We finally have to refer to Leoni (1972), the book that made Leoni famous all over the world. Even if it is not an economics book, in it we can find some notes on the SECD. His considerations on the matter are not the central focus of the volume, but they are really deep and we can consider them more important than what we can find later in the papers we talked about until now. In fact, in *Freedom and Law* the theoretical impossibility of economic central plan is considered only a part in a more general problem, regarding the possible action of the legislator.

[T]his demonstration [that a centralized economy does not work] may be deemed the most important and lasting contribution made by the economists to the cause of individual freedom in our time. *However, its conclusion may be considered only as a special case of a more general realization that no legislator would be able to establish by himself, without some kind of continuous collaboration on the part of all the people concerned, the rules governing the actual behavior of everybody in the endless relationships that each has with everybody else.* No public opinion polls, no referenda, no consultations would really put the legislators in a position to determine these rules [...]. The actual behavior of people is continuously adapting itself to changing conditions. (Leoni, 1972, pp. 18-19).

The argument is stressed later on with a critique to the free-market economists, accused to don't realize the connection. Leoni states that the idea of *certainty of the law* is not compatible with the free market.

The fact that the central authorities in a totalitarian economy lack any knowledge of market prices in making their economic plans is only a corollary of the fact that central authorities always lack a sufficient knowledge of the infinite number of elements and factors that contribute to the social intercourse of individuals at any time and at any level. The authorities can never be certain that what they do is actually what people would like them to do, just as people can never be certain that what they want to do will not be interfered with by the authorities if the latter are to direct the whole law-making process of the country.

Even those economists who have most brilliantly defended the free market against the interference of the authorities have usually neglected the parallel consideration that no free market is really compatible with a law-making process centralized by the authorities. This leads some of these economists to accept an idea of the certainty of the law, that is, of precisely worded rules such as those of written law, which is compatible neither with that of a free market nor, in the last analysis, with that of freedom understood as the absence of constraint exercised by other people, including the authorities, over the private life and business of each individual. (Leoni, 1972, p. 90).

In this intuition, that the problem of the economic calculation is only a part of a biggest problem regarding the theoretical conflict between certain of law and rule of law, we can find the major Leoni's contribution to the debate. And we cannot find it in his specific papers on the matter, but in his major work, *Freedom and Law*, still nowadays a milestone in the liberal thought.

V

CONCLUDING REMARKS

What we wished to show with the present paper is that the debate about the possibility of a rational economic calculation in a socialist society has not to be considered concluded with the papers of the

great economists during the first part of the last century. Pareto, Barone, Mises, Hayek, Keynes, Lange, are just the most famous names involved in the debate.

The disputes goes ahead and finds a great advocate for the free market in Bruno Leoni, the Italian scholar more active in promoting the liberal thought in Italy after World War II. His contribution is not important under a general theoretical perspective. In fact, mainly he repeats what already stated by Mises and Hayek, rediscovering the importance of Pareto and Barone.

However, he promotes, through *Il Politico*, a deep debate during the Sixties, the years in which Italy is becoming, as many other Western countries, a socialist and central planned State. His voice is quite isolated in a general scenario in which the government intervention seems to be the only effective way to control economic problems.⁴³ Not only the Italian government is shifting toward a centre-left coalition (Fanfani), but also the economic debate is dominated by two brilliant Sraffian economists, Luigi Pasinetti and Paolo Sylos Labini, while Sraffa himself publishes in 1960 his main book.

Then, with Leoni (1972), the Italian scholar will give us more important note on the debate: to put the economic calculation problem into a wider frame. The planning action is not only to be referred to the economic context, but to the more general realm of the legislative action. The certainty of law is not compatible with a true free market society.

BIBLIOGRAPHICAL REFERENCES

- BARONE, E. (1935): «The Ministry of Production in the Collectivist State». In F.A. von Hayek, ed., *Collectivist Economic Planning. Critical Studies on the Possibilities of Socialism*. Routledge & Kegan Paul: London, pp. 245-290.

⁴³ Regarding this problem it is a «must» to read what Hayek wrote referring to the relationship between economic intervention, inflation and full employment. Hayek argues how the politics that link inflation and full employment simply misdirect the labour market, creating persisting disturbances and, in the medium and long run, generating a more deep unemployment. See Hayek (1950, 1975a, 1975b, 1975c).

- BELLANCA, N., and GIOCOLI, N. (1998): *Maffeo Pantaleoni. Il principe degli economisti italiani*. Polistampa: Firenze.
- BOETTKE, P.J. (2001): «Economic Calculation: The Austrian Contribution to Political Economy». In P.J. Boettke, *Calculation and Coordination. Essays on socialism and transitional political economy*. Routledge: London and New York, pp. 29-46.
- FAUCCI, R. (1990): «Materiali e ipotesi sulla cultura economica italiana fra le due guerre mondiali». In G. Becattini, ed., *Il pensiero economico: temi, problemi e scuole*. Utet: Torino, pp. 183-231.
- FERLITO, C. (2009): «Appendice bibliografica». In A. Ebenstein, *Friedrich von Hayek. Una biografia*. Rubbettino: Soveria Mannelli, pp. 609-647.
- (2010a): «Crisi economica e andamento ciclico». In C. Ferlito, *Contro la crisi. Combattere la crisi, difendere il mercato*. Solfanelli: Chieti, pp. 21-51.
- (2010b): «Sproporzionalità e ciclo economico da Tugan-Baranovskij a Spiethoff». In C. Ferlito, *Contro la crisi. Combattere la crisi, difendere il mercato*. Solfanelli: Chieti, pp. 91-118.
- (2011a): «Sylos Labini's Unpublished Notes on Schumpeter's Business Cycles». *The Quarterly Journal of Austrian Economics*. Vol. 14, N.º 1: pp. 88-129.
- (2011b): «Il pensiero economico del giovane Guido Menegazzi». *Studi Storici Luigi Simeoni*. Vol. LXI: pp. 133-146.
- (2012): «Garrison's Capital-Based Macroeconomics: the Role of Deficit, Credit Control and Taxation». In C. Spiller and M.-A. Galindo Martin, eds., *Public Finance: Lessons from the Past and Effects on Future*. Nova Science Publishers: New York, pp. 105-122.
- HAGEMANN, H. and RÖSCH, M. (2001): «The reception of Italian economic thought in Germany and Austria from 1900 to Second World War». In P.F. Asso, ed., *From Economists to Economists. The International Spread of Italian Economic Thought, 1750-1950*. Polistampa: Firenze, pp. 177-207.
- HAYEK, F.A. VON (1932): «Money and Capital: A Reply». *Economic Journal*. Vol. 42: pp. 237-249.
- (1935a): «The Nature and the History of the Problem». In F.A. von Hayek, ed., *Collectivist Economic Planning. Critical*

- Studies on the Possibilities of Socialism*. Routledge & Kegan Paul: London, pp. 1-40.
- (1935b): «The Present State of the Debate». In F.A. von Hayek, ed., *Collectivist Economic Planning. Critical Studies on the Possibilities of Socialism*. Routledge & Kegan Paul: London, pp. 201-243.
- (1935c), ed.: *Collectivist Economic Planning. Critical Studies on the Possibilities of Socialism*. Routledge & Kegan Paul: London.
- (1940), «Socialist Calculation: The Competitive “Solution”». *Economica*. Vol. VII: pp. 125-149.
- (1950): «Full Employment, Planning and Inflation». *Institute of Public Affairs Review*. Vol. IV, N.º 6.
- (1968): «Bruno Leoni, the Scholar». *Il Politico*. Vol. XXXIII, N.º 1: pp. 21-25.
- (1975a): «The Pretence of Knowledge». In *Les prix Nobel en 1974*. Nobel Foundation: Stockholm.
- (1975b): «Inflation, the Misdirection of Labor, and Unemployment». Speech addressed in Rome, 8 February, for the international meeting «Il problema della moneta oggi».
- (1975c): *Unemployment and Monetary Policy. Government as Generator of the «Business Cycle»*. The Institute of Economic Affairs: London. Occasional Paper N.º 45.
- HUERTA DE SOTO, J. (2010): *Socialism, Economic Calculation and Entrepreneurship*. Edward Elgar: Cheltenham and Northampton.
- LACHMANN, L.M. (1973): *Macro-economic Thinking and the Market Economy. An essay on the neglect of the micro-foundations and its consequences*. The Institute of Economic Affairs: London.
- (1994a): «Austrian Economics under Fire: The Hayek-Sraffa debate in Retrospect». In L.M. Lachmann, *Expectations and the Meaning of Institutions*. Routledge: London, pp. 147-163.
- (1994b): «G.L.S. Shackle’s Place in the History of Subjectivist Thought». In L.M. Lachmann, *Expectations and the Meaning of Institutions*. Routledge: London, pp. 235-242.
- LAVOIE, D. (1981): «A Critique of the Standard Account of the Socialist Calculation Debate». *The Journal of Libertarian Studies*. Vol. v, N.º 1: pp. 41-87.

- LEONI, B. (1963): «La ricomparsa delle teorie della pianificazione economica in Occidente». *Il Politico*. Vol. 3: pp. 451-452 and in *La ricomparsa della pianificazione in Occidente*. Quaderno N.º 1 of *Il Politico*: pp. 5-8.
- (1965a): «Il problema del calcolo economico nell'economia di piano». *Il Politico*. Vol. 3: pp. 415-453.
- (1965b): «Il Contributo del Pareto allo studio del problema del calcolo economico in una società di piano». *Il Politico*. Vol. 3: pp. 454-460.
- (1965c): «Il mito del piano». In *Nuovi studi sulla pianificazione*. Quaderno N.º 2 of *Il Politico*: pp. 5-12.
- (1972): *Freedom and the Law*. Nash: Los Angeles.
- (2007): *Collettivismo e libertà economica*. Rubbettino: Soveria Mannelli.
- (2009): *Law, Liberty, and the Competitive Market*. Transaction: Piscataway.
- MISES, L. VON (1935): «Economic Calculation in the Socialist Commonwealth». In F.A. von Hayek, ed., *Collectivist Economic Planning. Critical Studies on the Possibilities of Socialism*. Routledge & Kegan Paul: London, pp. 87-130.
- NARDI SPILLER, C. (2010): «Business Cycles in Italian Tradition». In C. Nardi Spiller and M.A. Galindo, eds., *Issues in Economic Thought*. Nova Science Publishers: New York, pp. 21-44.
- NARDI SPILLER, C., and POMINI, M. (2007): «Profit rate, money and economic dynamics in Fanno's thought». In A. Giacomini and M.C. Marcuzzo, eds., *Money and markets. A doctrinal approach*. Routledge: London and New York, pp. 222-237.
- OKON, H. (1997): «Katsuichi Yamamoto's Place in Austrian Economics and Libertarian Thought». Paper presented at Austrian Scholars Conference, April 4-5, Auburn, University, Auburn, ALA, USA.
- (2009): «A Japanese contribution to the calculation debate: K. Yamamoto's *Economic Calculation*». Paper presented at the 22nd conference of the History of Economic Thought Society of Australia (HETSA 2009) held on 14-17 July, Fremantle Campus, University of Notre Dame, Australia.

- (2011): «An Early Study of the Possibility of Rational Economic Calculation in the Socialist Society in Japan: K. Yamamoto's *Economic Calculation* (1932)». Paper Presented at the conference of the European Society of History of Economic Thought.
- PARETO, V. (1902): *Les Systèmes Socialistes*. Giard et Brière: Paris.
- (1996): *Manuel D'Économie Politique*. Libreria Droz: Geneva.
- PAVANELLI, V. (2000): «Note sulla teoria austriaca del ciclo e le sue implicazioni di politica economica nel dibattito italiano degli anni Trenta». In V. Gioia and H.D. Kurz, eds., *Science, Institutions and Economic Development. The Contribution of «German» Economists and the Reception in Italy (1860-1930)*. Giuffrè: Milano, pp. 521-541.
- REALFONZO, R. (2000): «Note sulla teoria austriaca del ciclo e gli economisti italiani nel periodo tra le due guerre». In V. Gioia and H.D. Kurz, eds., *Science, Institutions and Economic Development. The Contribution of «German» Economists and the Reception in Italy (1860-1930)*. Giuffrè: Milano, pp. 543-560.
- RONCAGLIA, A. (1990): «Le scuole sraffiane». In G. Becattini, ed., *Il pensiero economico: temi, problemi e scuole*. Utet: Torino, pp. 233-274.
- (2003): *La ricchezza delle idee. Storia del pensiero economico*. Laterza: Roma and Bari.
- ROTHBARD, M.N. (1991): «The End of Socialism and the Calculation Debate Revisited». *The Review of Austrian Economics*. Vol. 5, N.º 2: pp. 51-76.
- RUFFOLO, G. (2005): *Cuori e denari. Dodici grandi economisti raccontati a un profano*. Einaudi: Torino.
- SCHUMPETER, J.A. (2003): *Capitalism, Socialism & Democracy*. Taylor & Francis e-library: London and New York.
- (2006): *History of Economic Analysis*. Taylor & Francis e-library: London and New York.
- SRAFFA, P. (1932a): «Dr. Hayek on Money and Capital». *Economic Journal*. Vol. 42: pp. 42-53.
- (1932b): «A Rejoinder». *Economic Journal*. Vol. 42: pp. 249-251.
- (1960): *Productions of Commodities by Means of Commodities*. Cambridge University Press: Cambridge. Ed. It. *Produzione di merci a mezzo di merci*. Einaudi: Torino, 1960.

- SHACKLE, G.L.S. (1972): *Epistemics and Economics*. Cambridge University Press: Cambridge.
- (1983): *The Years of High Theory: Invention and Tradition in Economic Thought 1926-1939*. Cambridge University Press: Cambridge.
- WHITE, L.H. (2012): *The Clash of Economic Ideas. The Great Policy Debates and Experiments of the Last Hundred Years*. Cambridge University Press: Cambridge.

WILL GREECE GO BANKRUPT AND KILL THE EURO?

The benefits and Cost of Helping Greece

HERBERT GRUBEL*

Fecha de recepción: 30 de septiembre de 2012.

Fecha de aceptación: 19 de diciembre de 2012.

Resumen: Este artículo compara los beneficios con los costes derivados del salvamento griego, llegando a la conclusión de que los beneficios superan claramente a los costes. También se analizan las causas del problema, el papel de las sociedades de rating y la euforia previa especulativa, efectuándose unas consideraciones sobre el futuro del euro y del orden financiero internacional.

Palabras clave: Bancarrota Griega, Euro, Estadísticas en Grecia, Credit ratings.

Clasificación JEL: F33, F34, F36, F55, G15, G24.

Abstract: This paper compares the benefits to Greece, the Euro zone and the rest of the world arising from policies that prevent a Greek default and exit from the Euro with the costs of preventive policies. It concludes that the

* Professor of Economics (Emeritus), Simon Fraser University. Senior Fellow, The Fraser Institute.

Note: I thank participants at the Athenian Conference in Thessaloniki, Greece, July 1, 2012 and at the 75th Anniversary Conference of the Hong Kong Polytechnic University in Hong Kong on November 14, 2012 for comments on an earlier version of this paper. The analysis has also been influenced by discussions of the issues at the annual meeting of financial experts organized by Robert Mundell in Siena, Italy in July 2012 and at the Mont Pelerin Society meetings in Prague, Czech Republic in September 2012. I also gratefully acknowledge helpful comments on an earlier draft by George Bitros, Richard Cooper, Max Corden, Nick Kaiser, Wolfgang Kasper, Antonios Koumpias, Helmut Mayer, Claire Morrissey and Richard Pomfret.

benefits exceed the costs, though unpredictable politics and nationalist aspirations may prevent the adoption of the rational policies. The paper also considers the causes of Greece's problems: the failure of lenders to ask for a proper risk premium on the country's bonds; Greece's publication of false economic data; the failure of credit rating agencies to down-grade its bonds; the global financial euphoria and supply of liquidity that made lenders disregard traditional standards in all their dealings. The paper recommends policies to ensure the proper functioning of financial markets to prevent future crises.

Key words: Greece bankruptcy, Euro survival, Greek statistics, Credit ratings.

JEL Classification: F33, F34, F36, F55, G15, G24.

This paper discusses first the benefits that accrue to Greece, other Euro zone countries and the world from policies that avoid Greece's bankruptcy and exit from the Euro. The second part outlines the cost and nature of these policies and presents a benefit/cost analysis suggesting that it is rational to continue with these policies. Also discussed is the possibility that unpredictable political forces threaten the use of these rational policies. The final part considers the causes of the Greek crisis in order to find policies that would avoid future problems with Euro zone countries facing severe and persistent fiscal imbalances. A summary and conclusions closes the paper.

I BENEFITS OF GREEK RESCUE POLICIES

Policies successful in avoiding Greece's bankruptcy and exit from the Euro would bring a number of benefits.¹ The first arises from the avoidance of financial turmoil that accompanies expectations of bankruptcy and currency devaluation. This turmoil would cause bank deposits and other liquid assets to be shifted

¹ For a more general discussion of benefits derived from the adoption of the Euro by all of the member countries of the currency union see Huerta de Soto (2012).

abroad, leading to the breakdown of the entire banking system, recession and unemployment. According to data from the central Bank of Greece, deposits worth over 70 billion Euros, which is equal to about 35 percent of the country's GDP in 2012 have been withdrawn from the Greek banking system since 2009, with 25 billion Euros deposited abroad and the remainder hoarded in cash.²

The second set of benefits involves the avoidance of a recession and unemployment that would accompany the uncertainty around the determination of the exchange rate for the new drachma; the size of the haircuts creditors can expect on their Greek bond holdings; the risk of creditors using foreign courts to seize Greek assets abroad; the magnitude of inflation certain to arise and its effects on the levels and distribution of incomes, social programs and taxation.

Third, the avoidance of Greece's bankruptcy and exit from the Euro would allow the retention of the gains brought joining the currency area, such as lower transactions costs in foreign exchange markets and the resultant increased trade and capital flows and, most important preventing its politicians from buying votes through the provision of benefits to interest groups while ordering the Bank of Greece to finance the resultant deficits by printing money.³ These vote-buying practices had resulted in a long history of Greek political business cycles involving inflation, devaluations,⁴ booms and recessions accompanied by unemployment and low economic growth.⁵ They ended with the adoption of the

² This information has been provided to me in private correspondence by Antonios Koumpias, who is a student in the Department of Economics, Duke University.

³ These practices are explained in Public Choice Theory, the development of which owes much to Nobel laureate James Buchanan (1967) and Mancur Olson (1971).

⁴ Following a hyperinflation in the wake of the Second World War, the exchange rate of the drachma against the dollar was fixed at 30. In 1998, the rate was 304. These data were found at (<http://greekcurrency.awardspace.com/greek-currency/history.htm>) and (<http://www.tradingeconomics.com/greece/inflation-cpi>).

⁵ For an account of Greece's modern economic history see Andritsoyiannis (2012) and Bitros (2012).

Euro because Greek politicians were unable to get the European Central Bank to monetize its deficits.^{6 7}

While the benefits noted above are impossible to document empirically, the fourth benefit from avoiding Greece's bankruptcy and exit from the Euro is evident from Figure 1.⁸ In expectation of the adoption of the Euro in 2000, during the 1990s the premium over German bond rates for the sovereign bonds of Italy, Spain, Ireland and Portugal narrowed because of the widespread belief that the use of the Euro would prevent political business cycles and eliminate all exchange risks. The same reduction in the risk premium on Greek bonds developed after 1998 when it became increasingly expected that the country would join the Euro zone. However, as the graph shows, after the global crisis in 2008 the risk premiums on all sovereign bonds increased again to levels above those that had existed before 2000. The premium for Greece has become the largest by far.

1. Benefits to Euro zone and rest of the world countries

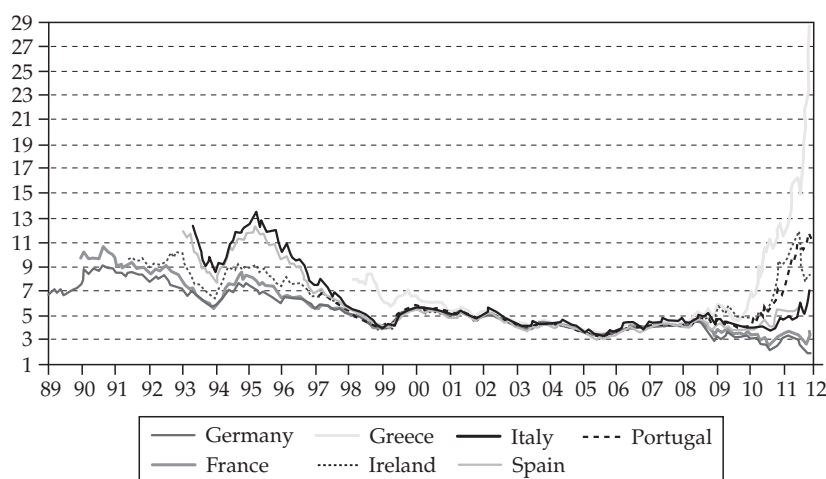
All member countries of the Euro zone would also benefit from the prevention of Greece's bankruptcy and exit from the Euro. The economies of Spain, Italy, Portugal, Ireland and some other countries with large fiscal imbalances would not be contaminated

⁶ For reasons to be discussed below, while the adoption of the Euro did eliminate the political business cycle, it did not eliminate the deficits resulting from the vote buying practices, as had been predicted by economic theory and noted in my study of the benefits and costs of creating a North American Monetary Union (Grubel 1999): «the union agreement..limits the ability of member countries to incur large and persistent budget deficits». (p. 15).

⁷ However, George Bitros pointed out in a private email that: «EU assistance played an important role since 1981 in glossing over the deficit spending behavior of all Greek governments. This "manna from heavens" helped all governments build a clientelist state on the perception that the EU largesse would continue ad infinitum. That is why I maintain that the EU leadership and authorities are partly responsible for what happened in Greece.» This conclusion is based on analysis contained in his forthcoming book *Creative Crisis in Democracy and Economy* in (2013), Axel Springer Verlag.

⁸ This figure is from Pomfret (2011).

FIGURE 1



Source: BofA Merrill Lynch Global Equity Strategy, Bloomberg.

by the spread of speculation in the wake of events in Greece and would avoid capital flight accompanying speculation about their fiscal conditions and possible exit from the Euro. At the same time, countries with strong fiscal positions, like Germany, would not have to deal with the problems speculative capital inflows would present them with. Avoided would also the risk that the collective resources assembled to aid Greece would almost certainly be insufficient to rescue these larger countries from speculative flight from their financial instruments.

If the Euro were replaced by a return to national currencies all of the short-run uncertainties mentioned above in the discussion of Greece's problems would arise. In the longer run, the micro-economic benefits from the currency union would be lost: savings from currency transactions and hedging; increased trade and capital flows and productivity and lower interest rates. Several of the Euro member countries would again suffer from their politicians' return to vote buying practices and the resultant business cycles.

The rest of the world outside of Europe would also benefit from Greece's fiscal recovery and retention of the Euro because

it would avoid the consequences of the financial turmoil and deep recession that would almost certainly develop in Europe.

It is not possible to estimate the dollar value of the benefits that Greece, Europe and the rest of the world are likely to enjoy if aid to Greece is sufficient to allow it to fix its fiscal problems and retain the Euro. However, it is clear that these benefits are very large in terms of lost output, unemployment, fiscal burdens and political instabilities.

II

THE COSTS OF GREEK RESCUE MEASURES

What are the costs of creating the benefits that arise from the prevention of Greece's bankruptcy and exit from the Euro through the provision of financial aid allowing the country the time to adopt austerity measures needed to restore fiscal balance?

These costs are related to the operation of two major collective European institutions. The first institution is the European Central Bank (ECB) in Frankfurt, headed by Mario Draghi. It has committed itself to accept toxic bonds of European sovereigns as collateral for loans to governments, calming markets and keeping interest rates low. The ECB has not purchased any Greek bonds but there are concerns that it is on a policy trajectory that will eventually lead to the purchase of sovereign toxic bonds and increases in the high-powered money base, much like that found in the United States due to the «quantitative easing» policies of the Federal Reserve.

All private and public holders of Greek debt will lose money if there is a large haircut in the value of the country's bankruptcy and its failure to service the debt. However, the total amounts are relatively small in a European or global perspective. The total of Greek government bonds outstanding amounts to about \$500 billion, compared to the debt of about \$530 billion of Lehman Brothers when it declared bankruptcy.

In the views of some observers, more important is the longer run problem that the new ECB policy violates its constitution, which requires it to pursue only price stability and disregard other

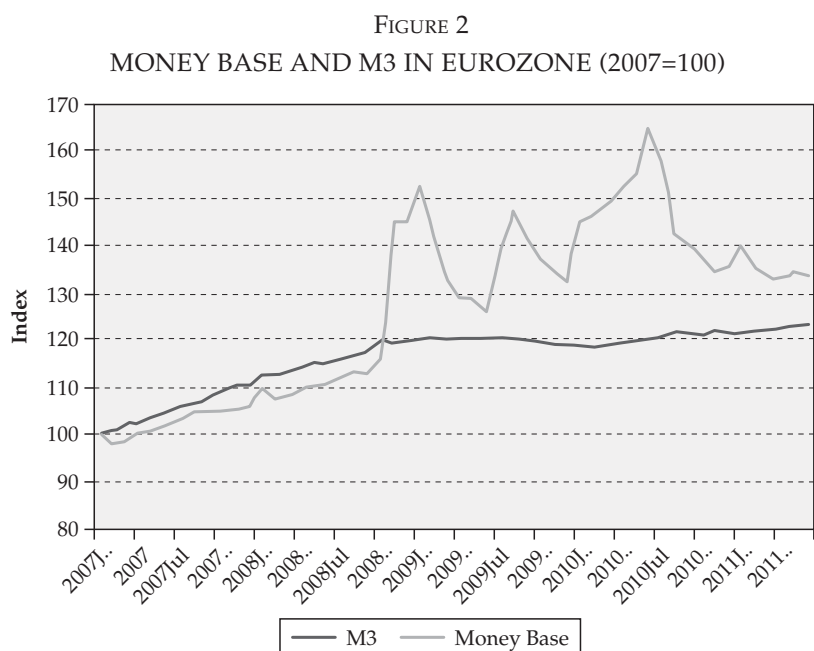
economic imbalances. This constitutional provision is valued highly by the people and governments of several European countries, especially Germany's.

More immediately, the policy carries the risk that the increase in the high-powered money base will result in inflation once bank lending revives and the money multiplier returns to normal. Like the Fed, the ECB promised to use all tools in its kit to reduce the money base and prevent inflation, but it remains to be seen whether this goal will be attained, especially in the light of all of the uncertainties around the nature and speed of economic recovery and the precedents that motives other than price stability often influence monetary policy.⁹

The magnitude of the injection of liquidity into all European banks, including those of Greece is shown in Figure 2. After the crisis developed in 2008 the index jumped from 115 to a maximum of 165 in July 2010 and has since decreased to 135. In the words of deGrauwe (2011) «In order to save the banking system, the ECB massively piled up assets on its balance sheets, the counterpart of which was a very large increase in the money base.» The graph shows that the European monetary policy has encountered the same problem as that in the United States. Banks have hoarded the liquidity injected by the central bank and the money supply in terms of M3 has remained stagnant.

The second collective institution involved in providing aid to Greece is the newly created European Stability Mechanism (ESM), the operational details of which had not yet been settled by the end of 2012. It will obtain its resources by contributions from private lenders but member countries as guarantors of the institution's debt are liable for its losses. The costs of the ESM depend, just like that of the ECB, on the future haircuts or default losses it will experience from its loans to Greece and other troubled governments. These costs are impossible to predict but they may be small since the goal of stable markets for sovereign bonds may be achieved through the possibility of ESM intervention, much like the existence of deposit insurance reduces runs on banks and the cost they otherwise would have caused.

⁹ For a discussion of these issues involving the Fed see Grubel (2011).



Source: ECB, Statistical Data Warehouse.

Whatever may turn out to be the losses of the ESM, the problem raised by some German legislators is that it will impose fiscal burdens on national treasuries without the explicit approval of parliaments, resulting in a loss of national sovereignty unwelcome by many Europeans. This concern remains in spite of the decision by the German Supreme Court that this practice is consistent with the German constitution.

The third institution providing aid to Greece is the International Monetary Fund, which is justified on the grounds that a Greek default and exit from the Euro would be costly also for the many countries that are members of the IMF. The IMF is always a preferred creditor and its claims are covered before those of any other creditors so that a Greek default would not impose costs on other member countries unless Greece was to leave the IMF, which is a highly unlikely scenario.¹⁰

¹⁰ This point has been made to me in private correspondence by Richard Cooper.

One final source of potential costs impossible to measure and the result of the policies of the ECB, ESM and IMF involves moral hazard behaviour, which increases the risk of governments running future deficits knowing that they can count on being bailed out. However, the seriousness of the moral hazard phenomenon is lowered by the fact that aid to needy countries is conditional upon the acceptance of conditions that are politically and economically onerous.

The actual effect of these conditions on behaviour is determined by the extent to which these conditions are enforced. One of the most effective enforcement mechanisms is the provision of aid in installments, the payment of which is dependent on progress in meeting the conditions. This policy is used by the providers of aid to Greece in principle but may turn out difficult to enforce as Greece's economy experiences an ever deepening recession and greater unemployment, the human problems of which have given rise to suggestions by the IMF to reduce the severity of conditions imposed on the further disbursement of financial aid.¹¹

It is important to note that the financial assistance provided by the ESM and IMF takes the form of repayable loans and its disbursement is conditional upon the adoption of specific austerity measures by the government. In the United States, such loans to financial institutions and companies like General Motors have been similarly conditional on measures taken to restore profitability and that they would eventually be repaid. Some of these US loans have been repaid and more repayment may take place in the future. It is possible that the same may happen with the aid given Greece, though only time will tell the final cost born by the providers of the aid.

Not yet in place is an agreement that would deal with the problems of national banks through collective agreements about a common deposit insurance scheme, regulations and supervision, as well as direct loans to troubled banks through a new institution.

¹¹ In October 2012, Christine Lagard, Executive Director of the IMF called for caution in the application of austerity measures in Greece to avoid casting the country into a catastrophic recession. See Jones (2012).

Negotiations over this system are not well publicized and appear to be progressing slowly. One reason is that it could result in costs imposed on national treasuries without explicit legislative consent, unless somehow it can be made to use private bank resources only and operate without public subsidies other than having the government backstop all claim on resources in extreme cases of need.

The acceptance of haircuts on Greek bonds held by private investors has imposed losses that are difficult to ascertain. Estimates run between 50 and 75 percent and may increase further. The agreements producing this result thus far are important because they were «voluntary» and avoided the need for the legal declaration of bankruptcy, which would have had many costly consequences for Greece and lenders without raising the prospect of a smaller haircut.¹² There remains the possibility that official holders of Greek bonds like the ECB will also have to accept write-downs. However, there is a somewhat ironic benefit from these haircuts suffered by the holders of Greek bonds. They will certainly in the future be more careful in lending to countries that are in fiscal difficulties, if only by insisting on large risk premia.

1. Benefits vs Costs

The full cost of the policies to help Greece just discussed cannot be measured. However, in making a benefit/cost analysis it is useful to understand that the economy of Greece is equal to only 2-4 percent of that of the entire Euro-zone. It is about equal to the size of the economy of Greater Miami in Florida; and that, as already mentioned above, Greek government bonds outstanding amount to about \$500 billion, compared to the debt of about \$530 billion of Lehman Brothers when it declared bankruptcy. Given these numbers it seems clear that the costs of aiding Greece are relatively small even if the collective institutions providing aid have to accept substantial haircuts on their holdings of Greek

¹² For the challenges facing creditors when sovereign nations face bankruptcy see William Rhodes (2011).

bonds and that the member countries of the Euro-zone have enough resources to cover them without affecting materially their own financial conditions.

The benefits from Greek assistance efforts are also impossible to measure but as they involve the avoidance of recessions, high unemployment and slow growth for very large populations and economies, it is safe to assert that they would be very big and far greater than the expected costs.

Based on these considerations, it seems clear that the benefits from aiding Greece are much greater than the costs, suggesting that it is rational to adopt all measures needed to bring the rescue efforts to a successful conclusion. The achievement of this goal implies that the danger of the break-up of the Euro-zone will be avoided and the Euro will survive.

This view has been expressed also by Otmar Issing (2012) who has had a distinguished career as a board member and chief economist of Germany's central bank and a member of the board of the ECB. He now is a professor at the Goethe University in Frankfurt, Germany. He expressed his optimism in a recent paper entitled «The Euro: It has happened, it is a challenging idea, it will last».

However, since economic policies are often based on criteria other than rationality, he hedges his prediction «it will last» by expressing it in terms of a probability and concluded only that the odds of a survival of the Euro are favorable.

The importance of the benefit/cost considerations also has persuaded Martin Feldstein (2012) to suggest now that the Euro existed, it was too expensive to let it fail. This judgement is particularly noteworthy since Feldstein consistently in the past has argued that the Euro should not be created since in his estimation, the loss of national economic sovereignty exceeded the benefits that had been identified by Robert Mundell (1961), who is often referred to as the «father of the Euro».

2. Risks on the Road

The probability that rational policies will prevail and the Euro will be saved is affected by a number of political and nationalist developments, some of which are decreasing and some are increasing the odds of the Euro's survival.

Negative influences exist in Greece, where populist parties opposing austerity measures have gained popularity and encouraged public demonstrations and riots, which in turn have slowed significantly the introduction of austerity measures by the government. At the same time, a deepening recession and high levels of unemployment are reducing tax revenues and increasing mandated social spending. It has also become clear that the Greek government's efforts to raise more tax revenue and to reduce entitlement spending are running into powerful opposition that is rooted deeply in a culture that is difficult to change quickly.

On the other hand, some developments bode well for the survival of the Euro. Legislatures in Greece, Spain and Italy have been adopting austerity measures and fundamental reforms that would have been impossible in the usual political environment.

Other positive developments have taken place in Germany and the Netherlands. As mentioned above, the German Supreme Court has found the use of the government's resources to aid Greece without specific approval by parliament to be consistent with the country's constitution. A political party in Netherlands that opposed the country's membership in the Euro-zone gained much popular support but was defeated in the last election.

Chances are that the restoration of fiscal balance in Greece and some other countries in Europe will take several years and progress unevenly. During these years new challenges to the rational policy of aiding Greece will arise and there is the risk that some will be successful. However, the case for financing Greece during its path to fiscal balance is so strong that much effort is warranted and should be made to see the project to its successful conclusion.

3. A Note on Benefits of Monetary Union

Readers should be aware of the fact that the preceding analysis of benefits accruing to Greece from the adoption of the Euro is inconsistent with the position taken by many economists who believe that Greece made a mistake adopting the Euro in the first place so that the exit would not cost anything and bring only benefits. This conclusion is based on the proposition that the micro-economic benefits are less than the macro-economic costs falling on Greece as its loss of monetary and exchange rate sovereignty prevented it from dealing optimally with random shocks affecting its economy. One of the most distinguished economists making this case is Martin Feldstein (2012), who provides references to others who agree with this conclusion.

Many other economists referenced by Grubel (1999) reach the opposite conclusion. Not only did Greece enjoy substantial micro-economic gains, its loss of monetary and exchange rate sovereignty was a blessing. It stopped the political business cycle and the adverse effects of random shocks were cushioned by access to the global capital market at low interest rates.

Moreover, the past records of all countries, but especially small countries like Greece, in the use of monetary and exchange rate policies to deal with economic shocks are poor and have often made problems worse.¹³ Shifting the responsibility for monetary policy to the ECB in Frankfurt with its greater intelligence resources and freedom from political influences in fact is likely to have increased rather than reduced economic stability in Greece from what it would have been outside the Euro. Based on this analysis, Greece did benefit from adopting the Euro and will retain them if it remains a member of the currency union.

Another objection to Greece's adoption of the Euro is based on the notion that its industrial structure, institutions and culture

¹³ See Friedman and Schwartz (1971) for evidence that faulty monetary policy caused and prolonged the Great Depression of the 1930s in the United States. Taylor (2009) argues that it was the excessive ease of US monetary policy, which caused the financial crisis of 2008 and its aftermath. Bitros (2012) documents the misuse of macro-economic policies in Greece's history.

are so different from those of other Euro countries so that it requires its own monetary and fiscal policy to deal with random shocks affecting its economy. By leaving monetary policy to the ECB, the cost of such random shocks is alleged to have been increased. Wolfgang Kasper and Manfred Streit (1999) suggest that Greece's culture of political corruption and cronyism are so different from that of other Euro-zone countries so that it cannot function properly within the zone's cultural standards.¹⁴

However, the validity of the standard argument about the need for similar economic and social characteristics as a condition for successful membership in a currency union is questionable since it disregards the effect the adoption of the common currency has on each country's economic structure, institutions and culture. For instance, if the austerity measures and other requirements for economic reforms imposed by Greece are successful, it will have become a suitable member of the Euro-zone by the standard static metrics. Frankel and Rose (1997) in an important article discuss more generally the role played by the adoption of a common currency on changes that in effect make these standard metrics endogenous to membership.

III PREVENTING FUTURE PROBLEMS

If in fact efforts to save the Euro are successful, there is the need to prevent future cases of countries running unsustainable deficits, threatening the existence of the Euro and endangering economic stability in the entire world. For this reason, it is essential to understand what caused the crisis in Greece.

At the beginning of this analysis it is important to deal with the often heard argument that Greece's problems are due to its membership in the European currency union and the use of the Euro. This argument is false and is equivalent to blaming the fiscal problems of the City of New York or the State of California on

¹⁴ In private correspondence Kasper used Greece's fiscal problems as evidence of the correctness of this proposition.

their membership in the dollar zone and use of the dollar to carry out commerce.

Instead, the fundamental cause of the fiscal crises in these jurisdictions has been the tendency of its politicians to spend consistently more money than they raised through taxes so that they ran fiscal deficits that had to be financed by selling bonds. This deficit spending had its roots in the politicians' practice of buying votes through the provision of benefits to interest groups while avoiding the loss of votes by passing on the cost to future generations unable to vote in current elections. This process is well known through public choice theory.

In Greece the practice before the adoption of the Euro had resulted in political business cycles as the politicians ordered the Central Bank of Greece to buy the bonds with newly printed money, which caused inflation, currency devaluations and unemployment. During the years 1960 – 2012, Greece's inflation rate averaged 9.4 percent. Between 1953 and 1998, the exchange rate of the drachma against the dollar fell from 30 to 305. While the inflation decreased the real burden of the public debt and in principle allowed the repetition of such cycles through time, it resulted in reduced economic growth, high average rates of unemployment and many statist policies needed to correct the social injustices and other problems caused by inflation and the devaluations of the currency.¹⁵

The adoption of the Euro was expected to end deficit spending and with it these cycles since the politicians could no longer order its central bank to buy its bonds. These expectations were expressed in my theoretical study of the benefits and costs of creating a North American Monetary Union (Grubel 1999) in which I noted that through membership in such a union «Canada is more likely to

¹⁵ This history is found in Bitros (2012) who cites studies by the Bank of Greece showing that the beneficial effects of devaluations were very transitory. See also Jovanovic (2012) for a record of recent Greek and European Union policies. In this context it is interesting to note that, according to Koumpias about one half of Greece's exports arise from its sale of shipping services, which are billed in dollars and use capital and foreign labour as their main inputs so that devaluations of the drachma do not have significant effects on the quantity and value of Greece's exports in dollars terms.

be protected from the adverse consequences of future misadventures in monetary policy» and that «the union agreement..limits the ability of member countries to incur large and persistent budget deficits: (p. 15).

However, while the loss of monetary and exchange rate sovereignty ended political business cycles in Greece, it did not end deficit spending. The low interest rates brought by the Euro may actually have encouraged it. This unexpected development is explained by the failure of financial markets to demand a higher risk premium on Greek bonds. As a result, the government avoided interest payments taking up an ever increasing share of its tax revenues, which would have forced it into bankruptcy unless it increased taxes or spent less. Most governments facing such alternatives have in the past avoided bankruptcy and its adverse economic and political consequences and instead accepted the much less costly tax increases and spending cuts.

One explanation of this puzzle is that the world's credit rating agencies failed to down-grade Greek debt as they were expected to do in the light of Greece's deficits and debt.¹⁶ As a result, lenders

¹⁶ The importance of credit ratings on the behaviour of governments is illustrated by the experience of Canada, with which this author is very familiar as a result of his personal involvement in the affair. Thus, during the early 1990s, large deficits prompted downgrades and higher interest rates for the government of Canada. This fact attracted much public attention and concern. In this atmosphere the newly formed Reform party made fiscal responsibility the center of its election platform and prompted me to run for office on its ticket. In the election the Reform Party gained enough seats to become the unofficial opposition in parliament, leaving with only two seats the Progressive Conservative Party, which had been in power while the large deficits developed and which, together with the other main party had denied that the fiscal imbalance was an important issue for the future of the country.

The government's austerity budget in 1995 is now often cited as an example of how spending cuts together with modest tax increases can restore fiscal balance and increase economic prosperity. The Finance Minister Paul Martin responsible for it told me, in my capacity as the Minister of Finance in the Reform Party's shadow cabinet that he had been able to get the austerity measures accepted by his party caucus only because of the widespread concern that without doing so, my party might win the next election. He asked me to keep up demands for greater spending cuts in my speeches in parliament so that he could adopt more cuts and look moderate in the eyes of his caucus. This experience indicates to me the role credit rating agencies can play in alerting voters to the importance of fiscal imbalances and influence corrective government policies.

using the information about Greece's credit worthiness in deciding to buy the country bonds continued to demand interest rates that were too low in light of the risks they carried. Why did this happen?

The answer to this question has two main components. First is the Greek government's practice of publishing misleading and occasionally falsified official statistics, which some have called «cheating» or «lying», though the resolution of the issues will not be helped through the use of such pejorative terms. Second is the then prevalent belief that European countries would never let one of its neighbours go bankrupt and provide all needed assistance to prevent such an event.

1. Misleading Greek Statistics¹⁷

The extent to which Greek deficit spending was hidden by government practices is discussed in Michael Lewis (2011), who is an investigative journalist and who had access to prominent individuals in Greece familiar with the facts and willing in personal interviews to share their experiences with him.

Lewis quotes George Papaconstantinou, an economist who had been working for the OECD in Paris before he took over as Greece's Minister of Finance in October 2009. The minister's words are in quotation marks:

The Greek government had estimated its 2009 budget deficit at 3.7 percent. Two weeks later that number was revised upward, to 12.5 percent, and actually turned out to be nearly 14 percent. [Papaconstantinou] was the man whose job it had been to figure out and explain to the world why.

«The second day on the job I had to call a meeting to look at the budget,» he says. «I gathered everyone from the general accounting office, and we started, like, this discovery process.» Each day they discovered some incredible omission. A pension

¹⁷ For a detailed, scholarly analysis of the problem with Greek statistics see Bitros (2012), this contains contributions by a number of Greek academics, statisticians and civil servants.

debt of billion dollars every year somehow remained off the government's books, where everyone pretended it did not exist, even though the government paid it; the hole in the pensions plan for the self-employed was not the 300 million Euros they had assumed but 1.1 billion Euros; and so on. «At the end of each day I would say, "Okay, guys, is this all?" And they would say, "Yeah." The next morning there would be this little hand rising in the back of the room: "Actually, Minister, there's this other one-hundred-to-two-hundred-million-euro gap." This went on for a week.» (pp. 7, 8)

Miranda Xafa, a Greek economist with a distinguished career in the Greek government, the IMF and private financial sector explained at a meeting in June 2012 that these problems were created by the lack of precision in existing international government accounting provisions rather than outright cheating. Thus, the rules allow governments to distinguish spending on current operations and on capital projects. By shifting some items of spending from the current to the capital budget, the reported deficit on current spending in Greece was reduced. Xafa mentioned as an example the subsidies that were paid to the publicly owned railroad, which were identified as investment when in fact they were used to cover running losses of the railroad and should have been reported as current expenditures.

The size of this misrepresentation is clear from the following quote from Lewis that includes in quotation marks Xafa's remarks:

...she pointed out in 1998 that if you added up all the Greek budget deficits over the previous fifteen years they amounted to only half the Greek debt. That is, the amount of money the Greek government had borrowed to fund its operations was twice its declared shortfalls. «At Salomon we used to call [the then head of the Greek National Statistical Service] "the Magician" because of his ability to magically make inflation, the deficit and the debt disappear.» (p. 12)

The Greek government also had private financial firms as allies in its efforts to understate its deficits. Lewis reports that Goldman Sachs helped Greece

to hide the government's true level of indebtedness...and taught the Greek government officials how to securitize future receipts from the national lottery, highway tolls, airport landing fees, and even funds granted to the country by the European Union. Any future stream of income that could be indentified was sold for cash up front and spent. (p. 12)

The preceding references indicate the extent to which the Greek government used what can be interpreted as manoeuvres that are allowed under existing rules, but it also engaged in some practices that are more difficult to justify. The following quotation describes what went on in preparation to Greece's adoption of the Euro in 2000 that was conditional upon acceptable levels of deficits and inflation:

To lower Greek inflation the government did things like freeze prices for electricity and water and other government-supplied goods, and cut taxes on gas, alcohol, and tobacco. Greek government statisticians did things like remove (high-priced) tomatoes from the consumer price index on the day inflation was measured. (p. 20)

The preceding information suggests that the manipulation of official government statistics was known by the credit rating agencies and private lenders. Why did this knowledge not result in higher interest rates on Greek bonds?¹⁸

2. Belief in a Safety Net

One reason is that lenders were convinced that the countries of Europe would not allow any of them go bankrupt by assisting them with whatever means were needed to escape a fiscal crisis.

¹⁸ A subsidiary question is why official publishers of national economic statistics, such as the IMF, OECD and Eurostat publish Greek statistics without challenging their validity or at least warn about their credibility. This issue is not pursued here but may be found in the same global financial euphoria used to explain the failure of credit rating agencies and lenders to act on the official statistics known to be misleading.

The efforts to help Greece after 2008 in fact justify this belief, but only to a limited extent. As mentioned above, the private holders of Greek bonds have lost as much as between 50 and 75 percent of their investment in the process of a «voluntary» agreement. The aid process has been halting, surrounded by uncertainty and may not be long and large enough to allow Greece to adopt its austerity measures successfully so that lenders may face even larger losses.

The belief in the ability and willingness of countries to prevent bankruptcies of others had deep roots in the financial euphoria, which had developed at the beginning of the millennium and lasted until the crisis in 2008, with a short interruption during the bursting of the high tech bubble in 2001. This euphoria was based partly on innovations in private capital markets in the form of derivatives and other complex financial instruments that resulted in a financial, economic and real estate boom. This condition was supported especially by the development of credit default swaps, which appeared to virtually eliminate all losses that until then had been the consequences of holding claims on bankrupt companies and by implication governments.

All of this risky lending was enabled by the excessively easy monetary policy of the US Federal Reserve (Taylor (2009)) and the demand for financial investments by sovereign wealth funds, which bought hundreds of billions of dollars worth of private and public sector debt (Grubel (2010)).¹⁹ Adding to the global financial euphoria was a US housing boom that was caused by US government policies aimed at encouraging private home-ownership and which induced home owners to use their nominal capital gains on their homes to take out loans for higher consumption spending, further feeding the boom and increases in house prices.²⁰ Financial institutions in the private sector facilitated this boom

¹⁹ For a different view on the causes of the 2008 crisis see Cooper (2011).

²⁰ See Lewis (2010) for a vivid description of the euphoria that had gripped the world's financial and housing markets and how it overwhelmed the warnings about its unsustainability made by some private analysts and investors, some of which became very wealthy from the investment decisions they had made in anticipation of the 2008 crisis.

by the development of mortgage backed securities used to channel funds into the mortgage market and private borrowers.

In this global financial environment, credit rating agencies saw no need to down-grade Greek bonds and investors continued to buy Greek debt obligations at low rates, which at any rate were a small proportion of their total investments and dwarfed by their holdings of mortgage backed and other new types of securities.

The financial euphoria ended with the start of the Great Recession in 2008. In the following years, governments and collective institutions have taken measures to return private markets to normal conditions and prevent future financial crises. Among other policies they have regulated markets for derivatives and swaps, increased the surveillance of financial intermediaries, applied due diligence to verify the accuracy of official statistics and imposed higher capital requirements on banks. In particular, the Greek legislature granted its statistical authority independence from political influence and Eurostat, the statistical branch of the European Union increase its surveillance of the Greek authority and other national statistical offices.

Capital market practices also have changed on their own initiatives. Credit rating agencies have resumed their normal roles, issuing down-grades on governments with excessively large deficits and debts. Lenders have bought sovereign debt only if interest rates are high enough to compensate them for the risk of default.

These private market practices are effective in preventing governments from engaging in fiscally irresponsible and unsustainable practices for reasons discussed above. They are also likely to be more reliable and effective than the new government policies. As the history of government efforts to regulate financial markets shows, they cannot prevent new crises in the longer run. The ability of private markets always finds ways to avoid existing regulations with new policies that carry the seeds of a new crisis. Regulatory authorities are unable to avoid such private market innovations as they are constrained by politics and bureaucratic inertia.

Of equal importance is the fact that the very existence of government policies to protect the public carries the risk that market participants reduce their efforts to gain information protecting them from losses and induces them to make ill-informed

investments. On the other hand, private lenders with the help of credit rating agencies and in pursuit of self-interest are much more likely to spot and act on the development of conditions that endanger not only their own wealth, which is closely linked to the entire financial system, the stability and health of which therefore is also in their interest.²¹

3. Policies to Prevent Future Crises

The implication of the preceding analysis is that to prevent governments from running excessively large deficits and accumulating unsustainable levels of debt, public policy should focus on the encouragement and maintenance of private market institutions and practices that send appropriate messages about the fiscal condition of individual countries through credit rating and the charging of risk premia. This policy has been recommended by Issing (2012) and is fully endorsed here because it prevents crises without depending on the use of unreliable political and bureaucratic actions.

If these private institutions function properly, they make unnecessary the creation of new public institutions that have been proposed for the purpose of preventing governments from running excessive fiscal imbalances in the future. One of these involves the creation of a European fiscal union with the authority to examine and approve national government budgets. This proposal has been resisted by most Euro-zone countries as an unwarranted intrusion into their national sovereignty. Moreover, they lack effective procedures to force countries to comply with the required budgetary changes.

Another proposal has been to require member countries to adopt legislated or constitutional prohibitions against deficit spending. While this method involves no loss of national sovereignty, in practice it has the disadvantage of requiring pro-cyclical changes

²¹ See Cooper (2011) for elaboration on the differing view that financial systems are inherently unstable and that the collective actions of private agents can result in global instabilities, so that only government regulation can prevent them.

in spending and taxation when a country experiences a recession. An additional problem has arisen in US states that have balanced budget legislation. Politicians have met the requirements by the use of accounting practices that shift incomes and expenditures between periods and into special accounts, much as had been done by Greece leading up to the crisis and discussed above.

The outstanding success is found in Switzerland, which recently dealt with the pro-cyclical effects of enforcing balanced budget requirements by new mandated rules that require the accumulation of funds during booms and allow their use during recessions.²²

IV SUMMARY AND CONCLUSIONS

After the start of the global economic and financial crises in 2008, the severe fiscal imbalances and high debt loads of the government of Greece have become a threat to the country's solvency and the stability and possible survival of the European Monetary Union. A Greek bankruptcy, its exit from the Euro and the accompanying spread of financial turmoil in Europe and the rest of the world would impose very heavy costs on the world economy. The costs of avoiding these calamities through the provision of aid to Greece during its move to fiscal balance are much less than the benefits gained by avoiding the country's bankruptcy and the exit from the Euro.

Therefore, it is rational for European and global collective institutions to provide Greece with all the aid needed during the time needed to restore its fiscal balance, making disbursement of funds conditional upon the successful implementation of austerity policies. If the world accepts this proposition, the odds are good that Greece will avoid bankruptcy and the Euro will survive, but these results are not certain because policies based on political and nationalist motives often trump rationality.

²² For discussions of the Swiss debt brake legislation see Bruchez (2003) and Geier (2011).

Understanding the causes of Greece's fiscal problems is essential for the design of policies that will avoid other members of the Euro-zone from experiencing the same problems in the future. One cause has been the hiding of true economic conditions in Greece through the manipulation of official statistics, which contributed to the failure of credit rating agencies to down-grade its ratings and the willingness of private buyers of Greek bonds to accept low interest rates.

These failures of rating agencies and lenders are attributable also to the general euphoria about financial and economic conditions and a very strong global economic boom that existed for several years before 2008. These conditions were caused by excessively easy monetary policy by the US Federal Reserve, the demand for financial instruments by sovereign wealth funds, US housing policies, the development of new financial instruments like derivatives, the securitization of mortgages and credit default swaps, and the general global economic boom due to the rapid growth of the Chinese and Indian economies.

While a wide range of government regulations of financial institutions have been enacted, policies to prevent European countries from fiscal irresponsibility are only in the discussion stage. Proposals for the establishment of public institutions charged with the collective approval of national budgets are bound to fail because they represent an unwarranted intrusion on national sovereignty. The optimal policy is to encourage and safeguard the traditional operation of credit rating agencies and lending practices of private investors.

BIBLIOGRAPHICAL REFERENCES

- ANDRITSOYIANNIS, D.J. (2012): «GREECE: UNDERSTANDING THE IN-COMPREHENSIBLE: *A brief run through a history of success and extraordinary failure, combined*», a paper presented at the Mundell Conference in Santa Colomba, Italy in July 2012. Copy of the paper is available from Grubel (herbert.grubel@shaw.ca)
- BITROS, G.C. (2012): guest editor «On Greece and Greek Statistics», special edition of the *Journal of Economic and Social*

- Measurement* (JESM), which contains the editor's contribution «From riches to rags or what went wrong in Greece».
- (2013): *Creative Crisis in Democracy and Economy*, Springer, Publishers.
- BRUCHEZ, P.-A. (2003): «Will the Swiss Fiscal Rule Lead to Stabilization of the Public Debt?» Working Paper - 26 August, Doc. No.: ÖT/2003/4, Bern: Swiss Federal Finance Administration, Bundesgasse 3, CH-3003 Bern.
- BUCHANAN, J. (1967): *Public Finance in Democratic Process: Fiscal Institutions and Individual Choice* republished in 1999 by Indianapolis, IN: Liberty Fund, Inc.
- COOPER, R. (2011): «Reflections on the Financial Crisis», unpublished manuscript supplied by author, Harvard University, December.
- DE GRAUWE, P. (2011): «The European Central Bank as a lender of last resort», August 18, found at <http://www.voxeu.org/article/european-central-bank-lender-last-resort>
- FELDSTEIN, M. (1997): «EMU and International Conflict», *Foreign Affairs*, Nov/Dec.
- (2012): «The Failure of the Euro: The Little Currency That Couldn't», *Foreign Affairs*, January/February found at <http://www.foreignaffairs.com/articles/136752/martin-feldstein/the-failure-of-the-euro>
- FRANKEL, J. and ROSE A. (1997): «The Endogeneity of Optimum Currency Area Criteria», *Economic Journal*, 108, 449, July.
- FRIEDMAN, M. and SCHWARTZ, A. (1971): *Monetary History of the United States, 1867-1960*, Princeton, New Jersey, Princeton University Press.
- GEIER, A. (2011): «The Debt brake - the Swiss fiscal rule at the federal level», Working Paper N.º 15, Bern: Swiss Confederation, Federal Department of Finance, Federal Finance Administration www.efv.admin.ch.
- GRUBEL, H. (1999): *The Case for the Amero, The Economics and Politics of a North American Monetary Union*, Vancouver, BC: The Fraser Institute.
- (2010): «Who is to blame for the Great Recession?», *Journal of Economic Asymmetries*, December 2010, 7, 2.
- (2011): «Will there be a Great Inflation in the Wake of the Great Recession?», *Southwest Business and Economics Journal*, Vol. 19.

- HANKE, S. (2012): «Perspective: Money: West vs. East», *Globe Asia*, September, pp. 18-20.
- HUERTA DE SOTO, J. (2012): «In Defense of the Euro: An Austrian Perspective,» Paper presented at the 2012 Prague Meetings of the Mont Pelerin Society (Spanish version *Procesos de Mercado*, vol. IX, n.º 1, 2012, pp. 15-49; German version *Ordo*, Band 63, 2012, s. 21-44; Russian version *Voprosi Ekonomiki*, n.º 11, 2012, pp. 78-100); English version *Journal des Economistes et des Etudes Humaines*, 2013 forthcoming).
- ISSING, O. (2012): «The Euro: It has happened, it is a challenging idea, it will last», Paper presented at the 2012 Prague Meetings of the Mont Pelerin Society (paper available from Grubel or the author).
- JONES, C. (2012): «Lagarde calls for caution on austerity», *Financial Times*, October 11, found at <http://www.ft.com/intl/cms/s/0/dca55090-135a-11e2-bca6-00144feabdc0.html#axzz2Ai6cP24a>
- JOVANOVIC, M. (2012): «Is the Eurozone Rescue Strategy Tantamount to the Rearrangement of the Deckchairs on the Titanic?», *Journal of Economic Integration*, 27 (1), March; 33-79
- KASPER, W. and STREIT, M.E. (1999): *Institutional Economics: Social Order and Public Policy*, Edward Elgar.
- LEWIS, M. (2010): *The Big Short: Inside the Doomsday Machine*, New York and London: W.W. Norton & Company.
- (2011): *Boomerang, Travels in the New Third World*, New York and London: W.W. Norton & Company.
- OLSON, M. (1971): *The Logic of Collective Action: Public Goods and the Theory of Groups*, Harvard University Press, 2nd ed.
- POMFRET, R. (2011): «European Crises and the Asian Economies», University of Adelaide School of Economics *Working Paper No. 2011-33* at <http://www.economics.adelaide.edu.au/research/papers/doc/wp2011-33.pdf>
- RHODES, W.R. (2011): *Banker to the World*, New York: McGraw-Hill.
- TAYLOR, J. (2009): *GETTING OFF TRACK: How Government Actions and Interventions Caused, Prolonged, and Worsened the Financial Crisis*, Stanford, Calif.: Hoover Institution Press, Stanford University.

NEW PATHS IN AUSTRIAN MACROECONOMICS

WILLIAM BARNETT II*

WALTER E. BLOCK**

Fecha de recepción: 7 de enero de 2012.

Fecha de aceptación: 19 de diciembre de 2012.

Resumen: Este artículo desarrolla una versión modificada de la teoría austriaca del ciclo económico en la que el papel protagonista lo juegan las expectativas de beneficio de los empresarios (más que la reducción de la preferencia temporal de los agentes económicos) y la asunción de proyectos empresariales más arriesgado, como principal detonante de las malas inversiones.

Palabras clave: Riesgo, Fondos prestables, Activos financieros, Teoría austriaca del ciclo económico.

Clasificación JEL: E32.

Abstract: This paper makes four points. First, interest rates are not prices; rather they are metrics. Second, there are no markets for «loanable funds» in reality, so attempts to use «the» market for loanable funds either to explain saving-induced growth (or growth induced in other ways) are misleading. Rather, the appropriate concept is markets for financial assets. Third, the primary and most important source of growth is not households' low or reduced time preferences, but entrepreneurs high or increased profit expectations. Fourth, financial institutions may respond, in part, to a rise in the monetary base by

* Professor of Economics and Chase Bank Distinguished Professor of International Business. Joseph A. Butt, S.J., College of Business. Loyola University New Orleans. 6363 St. Charles Ave. New Orleans, LA 70118 (504) 864-7950 wbarnett@loyno.edu. <http://www.business.loyno.edu/faculty/wbarnett>.

** Harold E. Wirth Eminent Scholar Endowed Chair and Professor of Economics. Joseph A. Butt, S.J. College of Business. Loyola University New Orleans. 6363 St. Charles Avenue, Box 15, Miller Hall 318. New Orleans, LA 70118. Tel: (504) 864-7934, fax: (504) 864-7970. wblock@loyno.edu. <http://www.walterblock.com/>.

accepting a higher default risk of their assets; i.e., by making riskier loans and buying riskier (financial) assets, in order to maintain nominal interest rates and net interest margins.

Key words: Risk, Loanable funds, Financial assets, Austrian business cycle theory.

JEL Classification: E32.

I INTRODUCTION

In this paper we contend that the standard, modern, Austrian Business Cycle Theory (hereinafter, ABCT) is in reality a somewhat special theory.¹ We extend the standard, modern, Austrian Business Cycle Theory (ABCT), and do so with a modified exposition. ABCT is extended to consider the cases in which: 1) sustainable, natural growth results from an increase in investment consequent on rises in profit expectations rather than an increase in saving resulting from a decline in time preferences; and, 2) an unsustainable, artificial boom is initiated by malinvestment/forced-saving generated by a reduction in risk² standards; i.e., by riskier credit, rather than by reductions in interest rates consequent on increases in fiat-money/credit; i.e., monetary/credit inflation. The exposition is modified such that it focuses on markets for financial assets (FA) in addition to the more typical loanable funds (LF).

In section II we offer a brief overview of the U.S. financial system and the Austrian Business Cycle Theory (ABCT). Section III is devoted to our introduction of risk and its more explicit incorporation into ABCT. The burden of section IV is to compare

¹ Throughout we limit our analysis to the modern U.S. However, the extension to different institutional environments is straightforward, provided they are based on fiat money, a central bank, and a number of commercial banks, as is the case in the U.S.

² Throughout we use «risk» to refer to both Knightian or «true» uncertainty and also to probabilistic uncertainty.

saving versus investment induced growth. We attempt in section V to analyze increased risk v. lower nominal rates of interest. Then, in section VI we attempt to extend ABCT into a more general theory, including both risk and this alternative source of growth, stemming from the entrepreneur/producer, not the household/ consumer-saver. We compare, in section VII, the standard ABCT with our own extension of it, and conclude in section VIII.

II BRIEF OVERVIEW OF THE U.S. FINANCIAL SYSTEM

The modern, allegedly-free U.S. financial system consists, inter alia, of; 1) fiat money; to wit: Federal Reserve (Bank) Notes (FRNs) and electronic demand-deposits; 2) the Federal Reserve System (FRS) – a central banking system; and, 3) a number of highly regulated commercial banks. The primary way that the fiat-money stock is increased is through purchases of financial assets (FAs), usually governmental debt, by the FRS,³ which purchases they pay for by increasing directly or indirectly the excess reserves in the banking system.⁴ In normal times, the commercial banks use these excess reserves to make loans; i.e., acquire notes, and also to acquire other FAs.^{5, 6, 7} In so doing, they

³ Actually, such purchases are usually made by the Federal Reserve Bank of New York (FRBNY), one of the 12 Federal Reserve Banks (FRBs) that, along with the Board of Governors, comprise the FRS, as directed by the Federal Open Market Committee (FOMC), the main policy committee of the FRS.

⁴ Such purchases of FAs drive up their prices and down their yields. Of course, if investors think that such money creation/asset purchases will generate sufficient price inflation or default risk, the opposite results could obtain.

⁵ As this paper is being written in late 2011, times are *not* normal. One may reasonably say that historically in normal times excess reserves have constituted approximately 1% of total reserves whereas presently they comprise approximately 95%.

⁶ Such investments also lower the interest rates that banks can charge on loans and bid up the price and down the yields on the other FAs in which they invest the excess reserves; however, different results may obtain, see fn.3, *supra*.

⁷ Mises (1998, 430) refers to: «*circulation credit*, i.e., credit granted out of the issue of fiduciary media.» That is, credit generated by creating and lending new fiat money, whether in the form of banknotes or deposits.

increase the amount of demand deposits in the banking system; i.e., they increase the supply-of-credit/stock of money.⁸

Austrian Business Cycle Theory (ABCT) maintains that because of substitution effects, i.e., portfolio adjustments, the prices of other assets both financial and real, will also increase and their yields also decrease, though neither simultaneously nor by the same amounts or rates. These various declines in yields induce systematic but unsustainable misallocations of resources. A crisis occurs when real yields increase, which eventually they must, either because peoples' expectations regarding inflation are ignited⁹ or because the money creation is brought to a halt because of a lack of will on the part of the central banking authorities. Then, the misallocations are exposed as exactly that, bringing to an end the false boom. The mistakes of the boom must be liquidated in the subsequent bust. This does not necessarily, although it may sometimes, mean physical destruction. Rather, the usual method is to destroy a part of the monetary value of the misallocated resources to the point at which it is profitable to reintegrate them into the structure of production. We do not at all disagree with this traditional

⁸ The traditional term is of the nature: «an increase in the stock of fiat money.» That, however, is unsatisfactory. In modern societies that have fractional-reserve-banking systems, the fiat-money stock is increased by central banks lending it into existence in the process of purchasing assets with newly created paper or electronic fiat money. It could, of course, instead, be spent into existence by a central government in the process of financing a budget deficit; i.e., it could be spent, rather than lent, into existence. There is a major and critically important difference between the effects of lending and spending new money into existence. A spending-inflation of the monetary stock causes, *ceteris paribus*, a price inflation concentrated, at least initially, in the goods sector, not in the financial assets sector. That is, there is no reason to expect it to affect interest rates systematically, and thus the structure of production is not systematically and unsustainably distorted. Thus there is no «false» boom, subsequent crisis, and bust. That is, spending new money into existence doesn't cause an ABC because credit markets and conditions are not necessarily affected. Of course, that is not true when new money is *lent* into existence. Although credit conditions are not eased when new money is spent into existence and thus there is no initiation of an ABC, only a «pure price inflation,» when credit conditions are artificially eased, usually because new money is lent into existence, an ABC *is* initiated.

⁹ This can be done through expectations of continually rising prices. See on this Hayek, 1972.

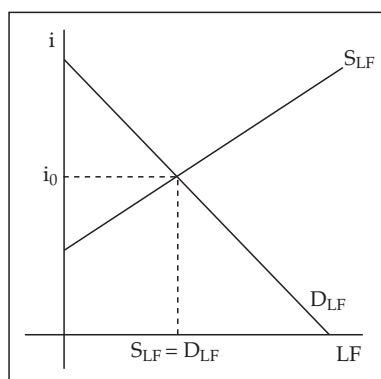
ABCT analysis; however, we do think it incomplete. Therefore, we extend it in several areas so as to make it a more general theory.

III

OVERVIEW OF THE U.S. FINANCIAL SYSTEM AND ABCT

Consider the pedagogical device known as the loanable funds model used to elucidate ABCT by, e.g., Garrison (2001, 37). This model is depicted in figure 1, wherein «the» interest rate is measured on the vertical axis and «the» quantity of loanable funds, along the horizontal, and D_{LF} and S_{LF} represent, respectively, «the» demand for and «the» supply of loanable funds.¹⁰

FIGURE 1

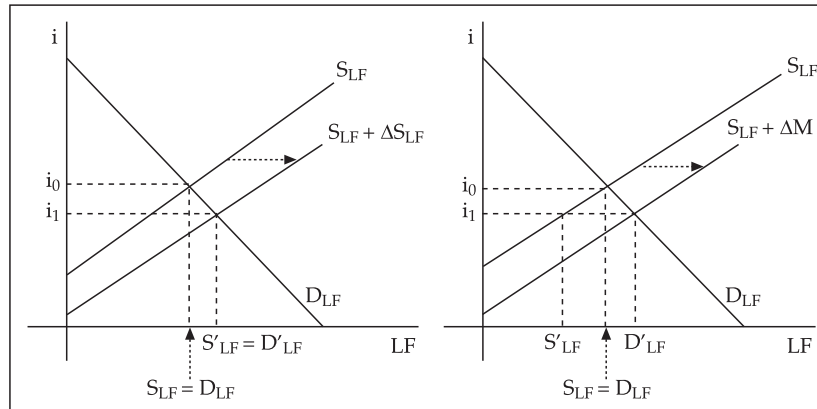


In ABCT this figure is used to illustrate the difference between sustainable saving-induced growth (figure 2A) and a monetary / credit expansion-induced unsustainable boom (figure 2B).

The story told by figure 2A is that of an increase in the S_{LF} as a result of a change in peoples' preferences. People are now wi-

¹⁰ We place «scare quotes» around these words and phrases because, frankly, we are «scared» that they are too aggregated for Austrian theory, resulting in incomplete and sometimes misleading analysis.

FIGURES 2A AND 2B



lling and able to supply more loanable funds at various rates of interest. Their preferences to lend more may have increased for a number of reasons; e.g., lessened time preferences or increases in wealth. In this case, at the preexisting interest rate a surplus of loanable funds is created resulting in a decline in the interest rate and an increase in the quantity demanded of loanable funds. The result is a rise in the value of loanable funds exchanged that is in keeping with these freely chosen actions and therefore reflects peoples' true preferences. Thus, the increased volume of LF exchanged is sustainable.

Figure 2B also relates a scenario in which the S_{LF} increases. However, despite surface appearances, this is a very different situation from that depicted in 2A. In this case individuals have not chosen to lend more at various interest rates; rather, banks have increased the S_{LF} by lending out newly created money. In this case, also, interest rates decline because of a surplus of LF at the preexisting interest rate. The adjustment to this disequilibrium involves, inter alia, that the quantity demanded of LF increases, and the total value of loanable funds exchanged climbs. But in this case, the results are *not* in keeping with individuals' true preferences, and thus are not sustainable.

The analysis, *supra*, in terms of LF would be more in keeping with the normal course of events were it instead done in terms

of FAs.^{11, 12} This is because, the usual economic practice and pedagogy to the contrary notwithstanding, there really is no such thing as a *market* for loanable funds. In markets in monetary economies, non-monetary goods exchange for money. In that process of exchange a price is set.¹³ However, interest rates, again, the usual economic pedagogy to the contrary notwithstanding, are not prices.¹⁴ Interest rates arise only in the course of credit transactions.¹⁵ Such transactions consist of the exchange of a promise to pay an amount or amounts of money at some time(s) in the future for an amount of actual money in the present.¹⁶ The promise to pay is, usually, legally binding on the borrower/ promisor and usually evidenced in writing; e.g., a note or bond. Thus, in a market for a financial asset; e.g., bonds, the bonds exchange for a price; i.e., an amount of money. Alternatively, consider a *soi-disant* market for loanable funds. What is the non-money good that is exchanged for the loanable funds; i.e., for the money?

¹¹ We assume throughout that in considering the effects of changes in the supply and/or demand for LFs and/or FAs, what is of interest is the monetary value of *new* loans/FAs; i.e., we exclude preexisting loans/FAs.

¹² The dimensions/units on both of the axes of LF and FA figures differ. The vertical axis of all LF figures measures nominal interest rates whereas that of FA figures measures money prices. The horizontal axis of all LF figures measures amounts of money, whereas that of FA figures measures quantities of FA; e.g., for a specific heterogeneous FA, say a \$1,000 T-bill from a particular borrower, the horizontal axis would measure the number of such homogeneous T-bills.

¹³ As Mises (1998, 218) states: «The prices are not measured in money; they consist in money.»

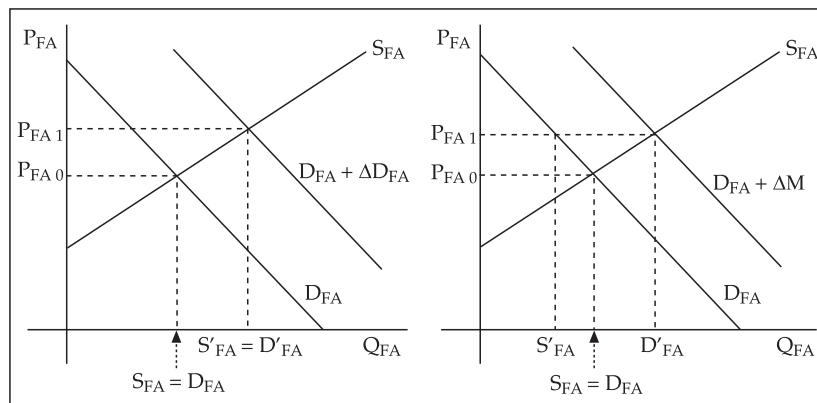
¹⁴ Interest rates are metrics used to compare FAs of different (face) values, different terms to maturity, different default risks, etc., much as one might use dollars of expense per passenger mile to compare airplanes of different sizes, different vintages, etc. However, both FAs and planes are actually sold for prices; i.e., amounts of money (Mises, 1998, 218). There are no actual markets for loanable funds as such and therefore no prices for them; moreover, even if there were such markets the prices could not be interest rates as they are metrics, not amounts of money; i.e., not prices. Moreover, a LF model can only deal with liabilities, not equity. That is, loans are debts, whereas FA may be either debts or equity, and thus can accommodate issuances of stocks as well as debt instruments.

¹⁵ The first mentioned author of this paper fully supports this contention. The second mentioned author demurs, and would add to this claim, with which he of course agrees, the price spread between the various stages of production, as depicted in Rothbard (2004, ch. 6).

¹⁶ Interest rates are metrics that are used to compare loans that vary in terms of principal, maturity, etc.

And, what is the price? It cannot be an interest rate. Moreover, in some expositions of the LF model, the S_{LF} and the D_{LF} are replaced by saving and investment, respectively, with the interest rate in those cases treated not as the price of loanable funds, but rather as the price(s)? of saving and investment. This is truly problematical.¹⁷ So as figures 2A and 2B illustrate saving induced growth and a monetary/credit expansion induced unsustainable boom in terms of LF analysis, so figures 3A and 3B illustrate the same concepts, respectively, in terms of FA analysis.

FIGURES 3A AND 3B



IV

SAVING VERSUS INVESTMENT INDUCED GROWTH

The comparison of saving induced growth with a monetary/credit expansion induced unsustainable boom, regardless of whether expositied using a LF model or a FA model, is interesting and provides some insight. However, if we are to judge by bond prices

¹⁷ Properly understood, saving and investment are identical (Barnett and Block, 2007). The implication of our LF figures and analysis is that at any interest rate save «the» market clearing rate, either saving exceeds investment or investment exceeds saving.

or yields, it appears that growth is not usually saving induced, but rather investment induced.¹⁸ In contradistinction to the «circular-flow» models of the economy as per the standard text books, production precedes consumption. Without production, there can *be* no consumption; however, without consumption, production can still exist. Entrepreneurs initiate; they and they alone¹⁹ decide what to produce, in what quantities, and how to produce it. In order to do so, they have to be able to gain control of sufficient resources for their purposes. To the extent that they produce new capital goods;²⁰ i.e., invest, to exactly that extent does saving occur. Thus, when entrepreneurs perceive opportunities to invest that they judge will prove profitable, they go about acquiring the necessary resources and undertaking the relevant projects. That is, the motivation behind growth is an increase in profit expectations (that results in a rise in investment), not a decrease in time preferences (that engenders a boost in saving).²¹ In figures 4A and 4B we compare saving induced growth with investment induced growth using the LF model. Then, in figures 5A and 5B, we compare them using the FA model.

Compare the two cases using the LF model.²² Assume that the post-change increase in the market clearing quantity of LF is the same in both cases. That is, whether it was because of a saving induced increase in the supply of LF or because of an investment induced increase in the demand for LF, the shift

¹⁸ This is not to buy into Keynes' (1936) «animal spirits» version of investment; however, it is not incompatible with Schumpeter's (1934) innovation driven model. In any case, if one does accept Keynes' argument, there is no a priori reason to think that consumers would not also be affected by such «animal spirits.»

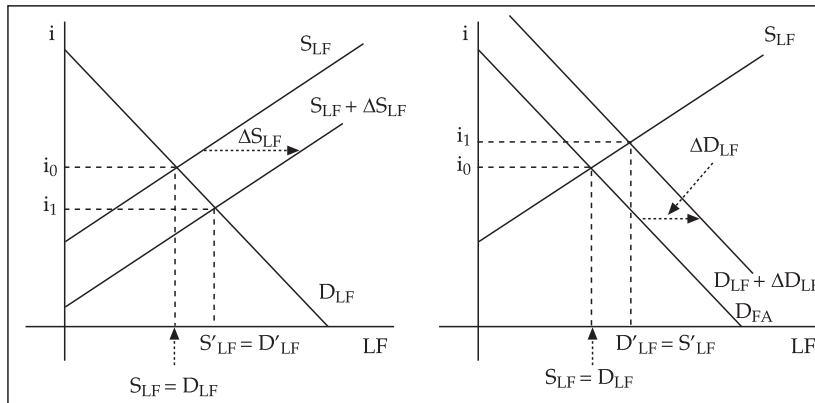
¹⁹ Syndicalists, or at least some of them, too, must act as entrepreneurs.

²⁰ For the purposes of this paper we ignore the investment/saving element in the production of consumers' durables, and dodge the issue of residential construction.

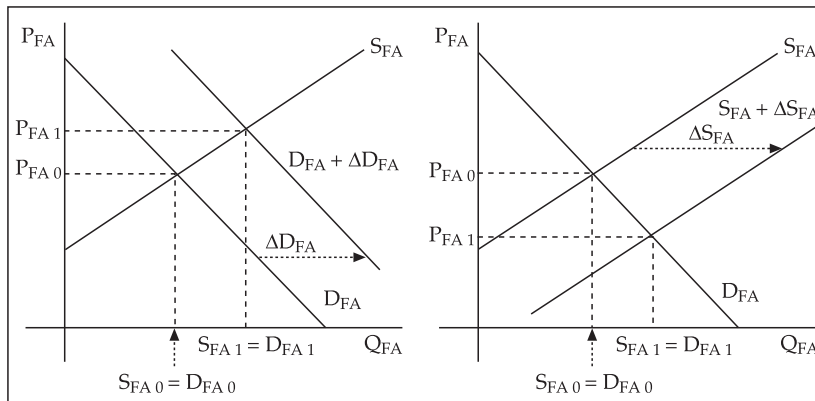
²¹ Suppose that time preferences fell, exogenously of course, but entrepreneurs saw no additional profitable opportunities apart from that fact. According to the thesis of this paper, would any additional investment take place? Yes. If time preferences fell, the interest rate would decrease, and, *ceteris paribus*, there would have to be more profit opportunities if nothing else changed.

²² We understand that there are multiple «markets» for LF and multiple markets for FA. However, for ease of grammatical exposition we use the singular not the plural.

FIGURES 4A AND 4B



FIGURES 5A AND 5B



in quantity is identical. However, there is a critical difference between the two scenarios in terms of the post change market clearing interest rates. In the former case, it decreases, whereas in the latter it increases. This is not an inconsequential matter. If we then compare the two cases using the FA model (5A and 5B), we see analogous results.

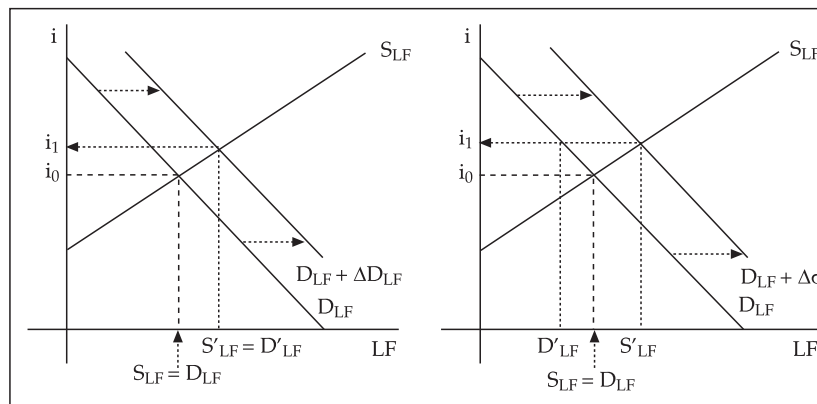
Again, assuming an equal increase in the post change market clearing quantity of FA, in the case of an increase in the demand for FAs because of an increase in saving, the price of FA increases,

whereas when the supply of FA rises because of an increase in investment, the price of FA decreases.²³

V
INCREASED RISK V. LOWER NOMINAL RATES
OF INTEREST

At this point, we consider the case when lenders chase yield; i.e., lenders are willing to lend to riskier borrowers.^{24, 25} We do so, first, in terms of LF analysis (figures 6A & 6B) and then in terms of FA analysis (figures 7A & 7B). In terms of LF analysis, at relevant interest rates they are willing to lend more than they had been previously. And, in terms of FA analysis, at relevant prices they are willing to buy riskier securities.

FIGURES 6A AND 6B

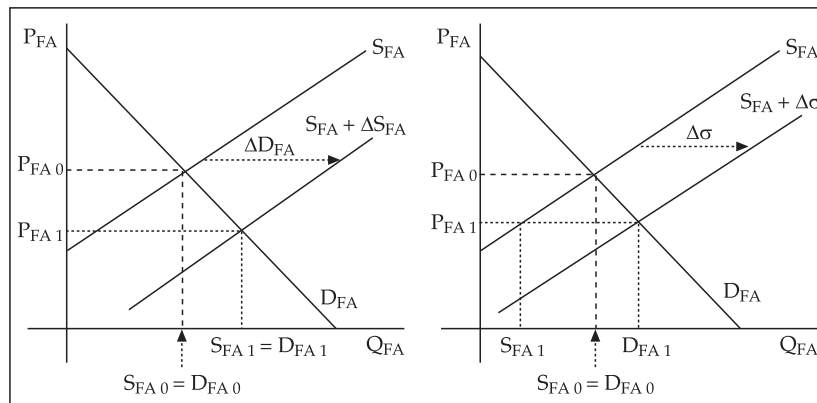


²³ Of course, these results are consistent with those of the LF model.

²⁴ The risk referred to here is that of default.

²⁵ It is important to note that as we are considering markets, not individuals or firms, it is probably safe to assume that not all lenders are willing to accept greater risk, and that even those who are, are not all willing to accept the same greater degree of risk. This is thus an average concept, similar to the claim that men on average are taller than women.

FIGURES 7A AND 7B



As always, demand functions have more than one argument. Similarly for supply functions. Thus, when depicting them in a two-dimensional space, all variables except those indicated on the axes necessarily are held constant along each demand and each supply curve.²⁶ Of course, changes in their values are depicted as shifts in either the demand or the supply curve, or both. Moreover, it is especially important to remember that demand and supply curves are not independent, save in the ludicrous soi-disant case of perfect competition.²⁷ And, just as

²⁶ In fact, demand and supply analysis is a metaphor used as a pedagogical device by economists, and has no independent existence in reality. Thus, when we hold that a decline in price caused by an increase in supply will, *ceteris paribus*, result in an increase in the quantity demanded and thus an increase in the quantity sold, the very proposition itself is impossible. That is, it is impossible for the price to decline *solum*. In fact, the assumption of *ceteris paribus* means that the analyst is assuming that any changes in other factors are of sufficiently small magnitudes that for the purpose of his analysis they may be ignored. See on this Barnett and Block, 2010.

²⁷ The standard microeconomic theory of profit maximization requires that $MR = MC$, where $MR = P + Q (dP/dQ)$. Therefore, $P + Q (dP/dQ) = MC$. Thus $P = MC$ only if $dP/dQ = 0$; i.e., if the slope of the demand curve is zero. In other words, the profit maximizing quantity for any price is that at which $P = MC$. As neoclassical theory assumes that there is only one MC for every quantity (pace Leibenstein (1966) and his theory of X-efficiency) in perfect competition where the demand curve of the firm has zero slope, there is a single price (quantity) that will be asked (offered) by a profit maximizing firm at each quantity(price); i.e., the supply curve is defined and

price is an argument in both supply and demand functions, so also is default risk when the relevant good, whether in whole or in part, is credit. Thus, in the case under consideration, the risk of default is held constant along each LF demand and supply curve. Lenders' willingness to take on more risk of default causes an outward shift of the LF demand curve; i.e., demand for LF increases. And, it also causes a shift in the LF supply curve – in this case an upward shift; i.e., the supply of LF decreases.²⁸ In consequence, the interest rate increases. Whether because of this decrease in risk aversion, the monetary value of loan transactions increases, decreases, or is unchanged depends on the relative magnitudes of the changes in the demand for, and supply of, LF. Alternatively, lenders' willingness to take on more risk of default causes an outward shift of the FA supply curve; i.e., the supply of FA increases. And, it also causes a shift in the FA demand curve – in this case a downward shift; i.e., the demand for FA decreases. In consequence, the prices of FAs decrease. Whether because of this decrease in risk aversion, the monetary value of loan transactions increases, decreases, or is unchanged depends on the relative magnitudes of the changes in the demand for, and supply of, FA.²⁹

determined. However, whenever $dP/dQ \neq 0$; whenever the a profit maximizing firm's demand curve slopes downward, there is no unique price that maximizes profit for any specific quantity; rather the profit maximizing price depends not only on the specific MC for an given quantity, but also on the elasticity of demand at that quantity. That is the profit maximizing equation may be written as: $P + MC (1/(1 + (1/\varepsilon)))$, where ε is the elasticity of demand. Therefore, when a firm's demand curve slopes – when it must lower price to sell a larger quantity, no supply curve exists; rather, only individual supply points exist.

²⁸ Here is a possible objection to the foregoing. The text makes it sound as if risk affects both supply and demand, both borrowers and lenders. But default risk applies only? mainly? to lenders, not to borrowers. Lenders and only lenders risk losing their money. The only thing borrowers risk losing is their credit rating. Debtors' prison is no longer on the table. Here is our response to this possible objection: changes in default risk (σ) affects both the supply and demand curves for LFs. On the one hand, if σ increases ceteris paribus, the lender wants and can insist upon a higher interest rate for any given quantity of LFs supplied; on the other hand, the lender can cause the LFs demand curve to shift outward by accepting higher-risk borrowers.

²⁹ We do not illustrate the effect of an increase in default risk on the supply of LF/demand for FA curves in any of our figures.

Figure 6A depicts an increase in the demand for LF as a result of an increased desire of entrepreneurs to invest; e.g., because of new technology, with risk assumed constant. Alternatively, figure 6B illustrates an increase in the demand for LF as a result of a willingness of lenders to take on additional risk.

Figure 7A depicts an increase in the supply of FA as a result of an increased desire of entrepreneurs to invest. Alternatively, figure 7B illustrates an increase in the supply of FA as a result of a willingness of lenders to take on additional risk. That is, higher risk securities become part of the supply of FA as lenders will now buy them whereas before they would not.³⁰

The issue then arises as to whether the increased supply of, and decreased demand for, FA, and the consequences thereof; to wit, lower prices/higher yields and any change in value of FA sold, are true market phenomena or, rather, the result of something very different; to wit: government intervention. If the former, then the uses of the increased finance do not lead to misallocations of resources beyond the usual level resulting from the always imperfect judgment of borrowers and lenders; i.e., there is nothing systematic about them. If the latter, however, then systematic misallocations of resources must indeed result. It is customary, in ABCT, to refer to these latter effects in terms of malinvestment and/or forced saving. However, depending on how the financial markets react in terms of the allocation of funds between consumers and producers, and among consumers, it is possible that we will have malproduction of consumers' goods, in contradistinction to malinvestment.³¹ More probable is that what actually occurs is a combination of malinvestment and malproduction of consumers' goods. It is also possible that forced dissaving³² occurs instead of forced saving.

³⁰ Of course, it is not an all or nothing situation regarding riskier securities.

³¹ The reason we use the inelegant term «malproduction of consumers' goods» instead of the more fluid «malconsumption» is that economists use «consumption» ambiguously – as an act of consuming, as an act of spending on a consumers' good, and also as an act of production of a consumers' good.

³² Forced saving means a forced increase in saving beyond what it otherwise would have been, so forced dissaving here means a forced reduction in saving below what it otherwise would have been.

VI
TOWARD A MORE GENERAL ABCT

We now use Austrian theory to explain business cycles from the perspective described, above. We no longer need resort to the driving force being the actions of consumers motivated by a decrease in their time preferences [sic].³³ Using the FA model, we can now look at these matters from an alternative, or additional perspective: entrepreneurs increase the supply of FA in order to finance newly perceived opportunities based on innovations of various types. To the extent that lenders are favorably impressed by the entrepreneurs' plans, they will purchase the new FA. That is, in response to the increased supply of FAs, the quantity demanded thereof will increase. This will result in lower prices/higher yields for the FAs, the extent depending upon the elasticity of demand for them. The new projects so financed will use resources diverted from other uses. Traditional ABCT maintains that these resources will be diverted from the production of consumers' goods and lower order capital goods to the production of the higher order capital goods that constitute the new projects undertaken. However, given our new model, this is not at all certain. In fact, these resources may be diverted from idleness.³⁴ So, shut-in oil and gas wells may be brought back on line, closed mines, factories, warehouses, and retail space may be reopened, empty office space may be filled, rolling stock may be used more intensively, factories may run additional shifts, the maintenance of machines may be postponed, inventories of raw materials and parts may be drawn, etc. Perhaps most important, «idle» labor

³³ Praxeologically, as there can be no such thing as a rate of time preference, neither can be any such thing as a decrease (or increase) in (that non-existent rate of) time preference. This is not to deny that from the thymological perspective there can be such an increase (or decrease). In like manner, a person can prefer a red to a blue shirt. That is a matter of praxeology. But, there cannot be any *rate* at which this preference takes place.

³⁴ Idleness is here used in the engineering sense. In the economic sense, each and every all resource is at all times being put to the use deemed most valuable by its owner. However, in the engineering sense, a machine that is not being used is (physically) idle. And, of course, leisure is the human analog of non-human idleness.

may be employed; e.g., retired workers, students, homemakers, and people previously «unemployable» may take jobs.

Thus, contrary to traditional ABCT, in which consumers are the driving force behind growth via reduced time preferences and increased saving, we postulate the entrepreneur as the driving force via increased profit expectations and increased investment. This would seem to be more in keeping with the standard AE conception of the entrepreneurs as the key actors in an economy. It is not that we wish to jettison mainstream ABCT. We do not deny its validity. However, we offer this new model as a supplement, if not a complement, to the lowered time preference perspective. Just because one is correct does not render the other invalid.

Alternatively, the source of the increased supply of FA might be consumers. Note that this is a polar opposite to the case of consumers' decreased time preferences causing an increase in demand for FA. Consumers might increase their demand for FA if their time preferences decrease and they wish to save more. Alternatively, if their time preferences *increase* they may wish to consume more, acquiring (some of) the necessary funds by increasing the supply of FAs.

In either of these cases, whether it is the desire of entrepreneurs to borrow more to finance new projects or the desire of consumers to borrow more to finance the purchase of consumers' goods, combined with the willingness of lenders to buy the new FA out of voluntarily supplied credit, there would be no systematic misallocation of resources as all decisions would be based on the freely undertaken actions of individuals.

In contradistinction, consider the situation if the increased supply of FA is the result of an increased willingness of the lenders to take on more risk. This case has to be subdivided according to the cause of the lenders' changed preferences. On the one hand, it might not involve governmental intervention, whereas on the other, it might. An example of the former would be if in a society characterized by increasing wealth, people decided to save more. In that case, they might prefer to make riskier, but potentially more lucrative, financial investments; i.e., lenders as a group may become less risk averse. In that case, the increased risk is

warranted because it is in keeping with individuals' preferences.³⁵ Thus, the resource reallocations resulting from the use of the additional credit are not misallocations – at least, not systematic misallocations. An example of the latter might occur if the central bank purchased FA with newly created funds in the form of reserves, creating excess reserves. In that case, the banks might prefer to take on more risk in their lending in order to maintain nominal rates of interest rather than being forced to accept lower rates of interest on their loans in order to avoid greater risks. However, in this situation, the increased risk is not warranted because it results from fiat money/credit inflation. And, the resource reallocations consequent on this credit inflation are systematic misallocations.³⁶

³⁵ Since the genesis of this change is exogenous, we have no particular reason to believe it will change. That is to say, as long as this taste remains constant, economic decision-making based upon it can be sustainable. This is in sharp contrast to the Fed artificially lowering interest rates, setting up the classic ABC. Consider now the rare case where the Fed's actions are exactly consonant with changing time preferences; will the ABC take place even under these circumstances? We answer as follows: Even if peoples' time preferences were decreasing at the same time the Fed was monetizing debt and artificially lowering interest rates, there would still be an ABC problem; to wit: people save more so interest rates go down, but at the same time the Fed increases money/credit causing interest rates to fall even more; i.e., excessively. Plus the Cantillon (1959) effects re the new money/interventionist-credit. As Cantillon (1959) explained, money is non-neutral; i.e., it has injection/distribution effects. Suppose one were to maintain that because the borrowers of the new saving spend the money in different ways than would have been the case for providers of the new saving, had the latter's time preferences not decreased, such increased saving would initiate Cantillon-like effects. Still, the effects would indubitably be quite different, both in direction and, especially, in quantity than those that would come about when the Fed purchases immense amounts of securities, usually U.S. Treasuries, but in recent years, also a lot of Mortgage Backed Securities, from a very, very small number of sellers.

³⁶ We speculate that one way to distinguish the former from the latter may be to consider the difference between brokered transactions and dealer transactions (Among other ways of characterizing financial intermediaries, we may classify them as either brokers or dealers. (Of course, many firms act in both capacities; nevertheless these are quite different functions.) In a brokered transaction, the broker is not a principal; rather, he is an agent. That is, the broker neither buys nor sells FAs, but rather brings together the buyer and seller for a fee or commission. A dealer, on the other hand, is a principal. He buys and sells FAs on his own account, sometimes for «proprietary» purposes and sometimes to «make a market» for a customer. (It should be noted that it can be very difficult to distinguish/determine the purpose of a

There is yet another possibility. There is credit inflation without a fiat money inflation when the amount of maturity mismatching involving non-demand liabilities increases.³⁷ In those cases the issue arises whether this causes systematic misallocations of resources. We are on record elsewhere, and continue to hold the views expressed there, that maturity mismatching (of the borrow short-lend long variety) is, on the one hand, unethical (Barnett and Block, 2009A), and on the other hand, capable of generating a business cycle of the Austrian type, provided, of course, that the magnitudes involved are sufficiently large (Barnett and Block, 2009B). We consider maturity mismatching here not merely because it is a central feature of modern economies, but because it plays a, if not the, critical role in unwarranted credit expansions, inflations and subsequent collapses of asset prices, liquidity crises, and insolvencies.

dealer's transactions. This fact is currently causing tremendous problems for governmental regulators trying to write regulations to enforce the so-called Volcker Rule – a part of the «Dodd-Frank Law» that is intended to prohibit banks and other financial institutions that own banks from engaging in proprietary trading for their benefit at the expense of their banking customers. Of course, if one cannot draw a clear boundary between proprietary trading and market-making for customers, and if the former can be the cause of large penalties, then there will be a reduction in liquidity in markets with attendant increased costs.) Furthermore, banks, de facto, act as dealers when they sell FAs in the form of deposits of various types and bonds to their depositors and other creditors and then use the funds generated thereby to invest either by making loans or by buying FAs in the market. Thus a dealer is a principal in both transactions. In the former case, as lenders take on more risk by buying riskier securities directly from borrowers (and analogously in secondary markets), we would expect to see yields increase relative to what they otherwise would have been. However, there would be no reason to expect that brokerage fees per dollar value of transactions (in some ways analogous to net interest margin) would increase. In the latter case, however, as nominal yields on the FAs dealers purchase would tend to decline in line with those on the FAs they buy, they may (and, we think, have) attempted to increase their net interest margins by maintaining nominal yields via taking on more risk. Note well: Although commercial banking is not usually considered «dealing,» it is, de facto.)

³⁷ Maturity mismatching cannot arise in brokered transactions; it can only be created in dealer transactions, though it is not necessary that such transactions involve maturity mismatching. Herein, we assume that maturity mismatching is of the borrow short-lend long type, although it can involve borrowing long-lending short. Obviously, fractional-reserve-demand-deposit banking involves maturity mismatching, and is understood as cause of the Austrian Business Cycle.

VII A COMPARISON

The standard Austrian, exposition of growth, e.g., by Garrison (2001, 57-67), compares saving-induced growth with a credit-induced boom, using a LF graph. In both cases there is an increase in the supply of loanable funds (S_{LF}); i.e., the S_{LF} curve shifts out to the right, lowering the rate of interest (i). The lower i then induces an increase in the quantity demanded of loanable funds (D_{LF}); i.e., a movement downward along the D_{LF} curve. However, in the former case the shift in the S_{LF} curve is a result of an increase in saving consequent on decreased time preferences by individuals. In the latter case the shift in the S_{LF} curve is a result of an increase in fiat money that enters the economy as a result of being lent into existence by the fractional-reserve, banking system.

Let us consider a different model in which we compare the latter (credit-induced boom) case not with saving-induced growth, but rather with investment-induced growth. That is, in the new model it is not the S_{LF} curve that shifts outward as a result of an increase in saving consequent on individuals' lowered time preferences; rather, the D_{LF} curve shifts to the right due to an increase in investment consequent on increased profit expectations. In this new model, a rise in profit expectations causes entrepreneurs to increase investment, but in order to acquire the necessary resources they boost their D_{LF} ; i.e., the D_{LF} curve shifts outward, raising i . The greater i induces an increase in saving that manifests itself as an rise in the quantity supplied of loanable funds; i.e., a movement upward along the S_{LF} curve.

Barnett and Block (2007) makes the point that in real terms saving and investment³⁸ consist in one and the same set of acts

³⁸ Many problems in economics arise from the unscientific use of language, especially ambiguity. A case in point that is relevant, here, has to do with the terms «saving» and «investment.» These terms are used to refer both to «real saving» and «real investment» and to «financial saving» and «financial investment.» Whereas real saving and real investing consist solely in the act of producing new capital goods (or, if we include Rothbard's (2004) «plain saving,» new durable consumers' goods), financial saving and financial investment are different matters. Thus, financial

of production; to wit: the production of a new capital good.³⁹ That is, in real terms investment and saving are identical; both consist of producing new capital goods (ignoring the production of durable consumers' goods that Rothbard (2004, 69) refers to as «plain» saving), and it is the entrepreneurs who make the decisions regarding production; i.e., the allocation of resources to the production of various goods, including real investment. In that sense, it is real investment/saving that causes growth and it seems meaningless to say that growth is caused by saving *or* by investment. Because saving *is* investment and vice versa, it is meaningless to say that growth is caused by saving *or* by investment.

VIII CONCLUSION

Austrian economics is well known for its ABCT, and, also, for its emphasis on risk. However, these two concepts have not been brought together in the literature sufficiently, in our estimation. In this paper we have attempted to rectify this oversight by incorporating the former into the latter. Austrian growth theory is also well known for its emphasis on falling time preferences as an impetus. We expand on classical Austrian macroeconomics by considering the impetus for growth, also, on the supply side, or on the part of entrepreneurs who see greater profit opportunities than before.

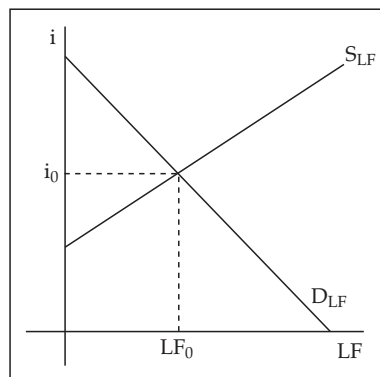
investment consists, virtually always, in the exchange of the capital-good money (Barnett and Block, 2005) for title to some other capital good; e.g., the purchase for money of: bonds; shares of stocks; certificates of deposit; and, titles to commercial real estate. However, such transactions are not usually considered financial saving. Rather, financial saving consists in the exchange of the capital-good money for deposits at a depository institution; e.g., the exchange of money for: transactions deposits; savings deposits, including Money Market Deposit Accounts; time deposits, including CDs; and Money Market Mutual Funds.

³⁹ We are speaking here of what Mises (1998, 527) classifies as «capitalist saving» in contradistinction to that which he classifies as «plain saving.»

APPENDIX:
ECONOMIC ANALYSIS OF «THE» MARKET
FOR LOANABLE FUNDS.

In figure 8, consider the area $i_0 \cdot LF_0$. It represents the total interest to be paid for the amount of loanable funds, LF_0 , if those funds are borrowed at a rate of i_0 . Therefore, if a change in the S_{LF} would induce an increase in the «quantity-demanded» of LF that would move the market clearing point on the D_{LF} into its inelastic range, the total interest income would decrease. That alone, one might think, would be sufficient cause for the lenders (banks) to consider increasing the risk profile of its borrowers in the hope of maintaining interest revenue.⁴⁰

FIGURE 8

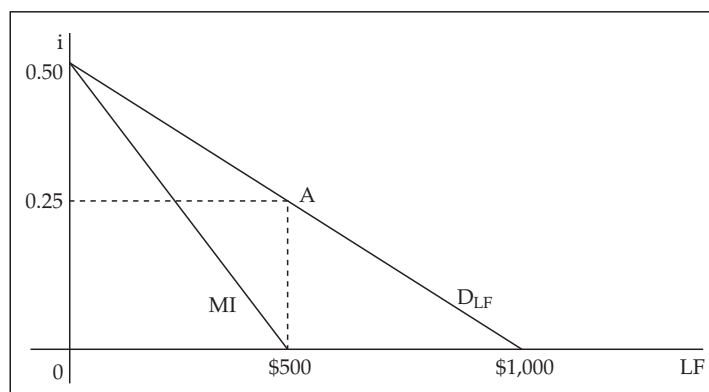


Example. Let D_{LF} be given by: $i/\text{yr} = 0.50/\text{yr} - (0.0005/\text{yr} \cdot \$)LF(\$)$, alternatively D'_{LF} : $LF(\$) = \$1,000 - \$2,000i$.⁴¹ This illustrated in Figure 9. The total amount of interest payments, I , expected to be received by the lender(s) is: $I(\$/\text{yr}) = i/\text{yr} \cdot LF(\$)$. If we

⁴⁰ According to the old economic aphorism, «if they coulda, they woulda.» That is, why did not the banks already do this before the change we posit in the text? The answer is, We assume the lending institutions were already assuming what they saw as the optimal amount of risk. Moreover, they would not yet be in the inelastic region, thus the marginal interest would still be positive.

⁴¹ Because there is no term for loans associated with the LF model, to simplify matters we assume that the term of loans is one year and the interest rate is per annum.

FIGURE 9



define marginal interest (MI) as dI/dLF , then $dI/dLF = i/yr$, and I is maximized at $dI/dLF = 0$; i.e., at $LF = \$500$, which corresponds to $i/yr = 0.25/yr$. Thus, given borrowers' demands for loanable funds, at any $i < 0.25/yr$, lenders would have to lend more funds for less total interest in order to entice borrowers to borrow.

Consider, instead, the following. Assume FAs are notes (N), sold at discount, each N with principal value \$1 and one year maturity. Then, if $P_N(\$ / N)$ is the price of N, then $P_N(\$ / N) \cdot (1 / ((1+i) / yr)) \cdot yr = \$1 / N$; i.e., $P_N(\$ / N) = \$1 / N / (1+i)$. If the quantity of N is Q_N , then $P_N \cdot Q_N = LF$, the S_{FA} is given by: $Q_N = 3,000N / P_N - 2,000N / (P_N)^2$. Figure 10 illustrates the S_{FA} .

Chart 1 shows the relations among i , LF , P_N , Q_N , $P_N \cdot Q_N$, and I . Note that at the interest maximizing point A ($i = 0.25$, $LF = \$500$) in figure 9 and A' ($P_N = \0.80, $Q_N = 625N$) in figure 10, $I = \$125$. This can be interpreted in terms of LF , as borrowers' demand at an interest rate of 25 percent per annum was for \$500 with a promised interest payment of \$125. Alternatively, borrowers sold 625 \$1-face-value, one-year notes at a 20% discount; i.e., for \$0.80 each or \$500 in total, promising to buy them back for \$1 each, or \$625 in total. Therefore total interest = \$125.

Note that, given borrowers' supplies of notes, at any price greater than \$0.80 per note, lenders would have to pay more for the notes for a smaller total discount; i.e., for less interest, in order to entice borrowers to sell.

FIGURE 10

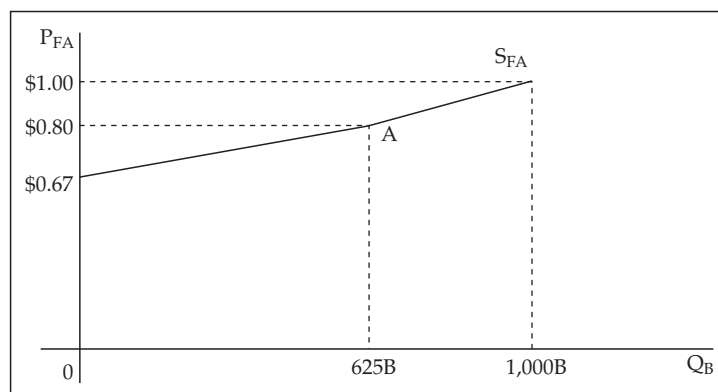


CHART 1

i	LF	P_N	Q_N	$P_N \cdot Q_N$	I
0.50	\$0	\$0.67	0N	\$0	\$0
0.40	\$200	\$0.71	280N	\$200	\$80
0.33	\$333	\$0.75	444N	\$333	\$111
0.30	\$400	\$0.77	523N	\$400	\$123
0.25	\$500	\$0.80	625N	\$500	\$125
0.20	\$600	\$0.83	720N	\$600	\$120
0.10	\$800	\$0.91	880N	\$800	\$80
0.00	\$1,000	\$1.00	1,000N	\$,1000	\$0

BIBLIOGRAPHICAL REFERENCES

- BARNETT, W. II and BLOCK, W.E. (2005): «Money: Capital Good, Consumers' Good, or (Media of) Exchange Good?» *Review of Austrian Economics*. 18 (2): 179-194; http://www.gmu.edu/rae/archives/VOL18_2_2005/4_Barnett.pdf
- (2007): «Saving and Investment: A Praxeological Approach.» *New Perspectives on Political Economy*, Vol. 3, N.º 2, pp. 129-138; http://pcpe.libinst.cz/nppe/3_2/nppe3_2_1.pdf;

- http://141.164.133.3/exchange/walterblock/Inbox/Re%20query.EML/nppe3_2_block.pdf/C58EA28C-18C0-4a97-9AF2-036E93DDAFB3/nppe3_2_block.pdf?attach=1
- (2009a): «Time deposits, dimensions and fraud,» *Journal of Business Ethics*; Vol. 88, N.º 4, September, pp. 711-716;
 - (2009b): «Financial Intermediaries, the Intertemporal-Carry Trade, and Austrian Business Cycles; or; Crash and Carry: Can Fraudulent Time deposits lead to an Austrian Business Cycle? Yes.» *Journal Etica e Politica | Ethics & Politics*; Vol. XI, N.º 1, pp. 455-469; http://www2.units.it/~etica/2009_1/BARNETT_BLOCK.pdf
 - (2010): «Mises never used demand curves; was he wrong? Ignorant? No: The Antimathematicality of Demand Curves.» *Dialogue*, Vol. 1, pp. 23-31, March; <http://www.univishtov.bg/dialog/2010/1.10.WB.pdf>
 - (2011): Forthcoming. «Loanable Funds, Saving and Investment, and Financial Assets.» *Romanian Economic and Business Review*.
- CANTILLON, R. ([1730]1959): *Essai sur la Nature du Commerce in Général (Essay on the Nature of Commerce in General)*. London: Frank Cass and Co., Ltd. <http://www.econlib.org/library/NPDBooks/Cantillon/cntNT.html>
- GARRISON, R.W. (2001): *Time and Money*. Routledge.
- HAYEK, F.A. (1972): *A Tiger by the Tail*, London: Institute of Economic Affairs.
- KEYNES, J.M. ([1936] 1964): *The General Theory of Employment, Interest, and Money*. New York: Harcourt, Brace and World
- LEIBENSTEIN, H. (1966): «Allocative Efficiency vs. X-Efficiency.» *American Economic Review*. 56(3): 392-415.
- MISES, L. von (1998): *Human Action*. Scholar's ed. Ludwig von Mises Institute.
- ROTHBARD, M.N. (2004 [1962]): *Man, Economy and State*, Auburn AL: Ludwig von Mises Institute, Scholar's Edition; <http://www.mises.org/rothbard/mes.asp>
- SCHUMPETER, J.A. ([1934] 1974): *The Theory of Economic Development*. Oxford: Oxford University Press.

PRESUPUESTOS 2007-2012 Y REDUCCIÓN DEL GASTO PÚBLICO PARA OBTENER EL CRECIMIENTO ECONÓMICO DE ESPAÑA

ÁNGEL FERNÁNDEZ*

Fecha de recepción: 12 de septiembre de 2012.

Fecha de aceptación: 19 de diciembre de 2012.

Resumen: Este trabajo estudia el tamaño del Estado analizando la composición de las políticas de gasto público en los Presupuestos Generales del Estado de los años 2007 a 2012. El gasto público no se ha reducido en las administraciones públicas (Estado central, autonomías y entidades locales) hasta el nivel requerido para lograr controlar el nivel de la deuda pública. Adicionalmente, el ajuste fiscal debe ser realizado sin subidas de impuestos que perjudican la eficiencia dinámica de la economía.

En segundo lugar, el presente artículo explica la estructura productiva del capital según la Escuela Austriaca de Economía y razona, incluyendo referencias y bibliografía de estudios previos, cómo las subidas de impuestos son perjudiciales para el crecimiento económico, porque se disminuye el ahorro privado previo que es necesario para acometer las inversiones y producir los bienes de órdenes superiores que caracterizan a las economías más desarrolladas.

Finalmente, se explica cómo todavía existe una urgente necesidad de implementar un Plan de Austeridad que reduzca el gasto público en España, de modo serio, basado en: 1) recortar y eliminar partidas presupuestarias para sostener las administraciones públicas en el medio y largo plazo, 2) implementar reformas estructurales que doten presupuestos equilibrados, 3) facilitar el control por la Intervención General del Estado, y 4) interponer barreras legislativas que eviten el aumento del tamaño del Estado con el intervencionismo de los políticos que propugnan déficit público y endeudamiento sin límites.

* Departamento de Historia e Instituciones Económicas I, Universidad Complutense de Madrid. El autor está preparando su tesis de investigación para la obtención del título de Doctor en Ciencias Económicas y Empresariales. Se agradece la ayuda del catedrático Jesús Huerta de Soto (Universidad Rey Juan Carlos) y del profesor Juan Ramón Rallo (Universidad Rey Juan Carlos) en la revisión preliminar del presente trabajo. Es responsabilidad exclusiva del autor cualquier error u omisión en el texto.

Palabras clave: Crisis Financiera, Política fiscal, Déficit Público, Deuda Soberana, Administración Pública, Crecimiento Económico, Economía Política.

Clasificación JEL: G01, H30, H61, H62, H63, H83, O40, P16.

Abstract: The study observes the size of the Spanish State by analyzing the composition of the public spending policies in the Public Budget for the years 2007-2012. The government expenditure (central State, autonomous communities and local authorities) has not been reduced to the level required to achieve the control of the public debt. Furthermore, the fiscal adjustment must be done without tax increases because they are harmful for the dynamic efficiency of the economy.

Secondly, the study explains the Production Structure of Capital from the perspective of the Austrian School of Economics and, including references and bibliography of previous studies, it shows how the tax increases are against the economic growth, because lower the private saving which is necessary in order to undertake investments and produce the goods of superior order that characterize the developed economies.

Finally, the study explains the need to implement an Austerity Plan to reduce the public spending in Spain, in a serious way, by mean of: 1) cut the public budget in order to keep the public administrations in the medium and long term, 2) implement structural reforms to maintain balanced budgets, 3) facilitate the monitoring by the State Audits Agency, and 4) implement certain institutional barriers in the public Law in order to prevent the enlargement of the State by the interventionism of politicians that advocate public deficits and unlimited borrowing.

Key words: Financial Crisis, Fiscal Policy, Public Finance (budget) deficit, Sovereign Debt, Public Administration, Economic Growth, Economic Policy.

JEL Classification: G01, H30, H61, H62, H63, H83, O40, P16.

I INTRODUCCIÓN

El presente estudio analiza la disminución del crecimiento económico por la expansión de la intervención estatal como el principal error teórico que se está produciendo en las democracias parlamentarias¹ y que es responsable de que España y, de modo

¹ (Huerta de Soto, 2010, pp. 137-138). Como señala el profesor Huerta de Soto, el socialismo democrático o socialdemocracia abandona el objetivo de «socializar»

general, Europa sean poco competitivas y, década tras década, consigan menores tasas de crecimiento en comparación con las áreas económicas de los países emergentes como, por ejemplo, los conocidos como BRICKS (Brasil, Rusia, India, China, Corea del Sur y Sudáfrica),² en donde el intervencionismo económico se da con menor grado de coacción y, por tanto, la función empresarial se desarrolla con mayor grado de libertad.

En este primer apartado, se señalan algunos conceptos económicos fundamentales para entender cómo opera el crecimiento en un orden extenso, complejo y abierto de colaboración humana o, si se prefiere, en una sociedad civilizada.

En el segundo apartado, analizamos la evolución de los presupuestos públicos de España durante la democracia y, específicamente, los presupuestos de los años 2007 a 2012 como ejemplo de la insostenibilidad de los actuales niveles de gasto público y, por tanto, del excesivo tamaño del Estado en Europa, si bien puede realizarse un estudio similar en países que presenten similares características institucionales.

Como complemento teórico de lo anterior, se explica la estructura productiva del capital en el apartado tercero y se muestra como las subidas de impuestos perjudican la función empresarial y, por tanto, ralentizan y, en el peor de los casos, paralizan la salida de la crisis económica que es lo que está ocurriendo precisamente en España.

los medios de producción para ejercer una creciente agresión sistemática e institucionalizada, especialmente en el área fiscal pero, también, en el área de «regulación» de los mercados, para igualar las «oportunidades sociales» y los resultados del proceso social. Sin embargo, las consecuencias teóricas de este socialismo (o intervencionismo) más «suave» inexorablemente aparecen a largo plazo, con independencia de que el órgano director (Gobierno) esté constituido o no por representantes del pueblo elegidos democráticamente.

² Se están cumpliendo las predicciones sobre los cambios en el escenario económico mundial y, como resultado de la crisis iniciada en el año 2007, se están intensificando la tendencia observada por el célebre artículo «Building Better Global Economics BRICS», publicado por Goldman Sachs el 31 de noviembre de 2001, que introdujo el acrónimo BRICS para referirse a la mayor competitividad y crecimiento económico de los países emergentes, que van captando una mayor cuota de mercado a nivel mundial en detrimento de los Estados Unidos de América y, principalmente, de la Unión Europea y de la zona Euro.

Y, finalmente, en el apartado cuarto, se comentan los cambios estructurales, económicos e institucionales, que están íntimamente relacionados y que son la única alternativa que existe para recuperar el crecimiento económico en España. Nunca recurriendo a los aumentos del déficit público y el endeudamiento y, en última instancia, a las subidas de impuestos porque lastran el ahorro y la inversión privados. Y, siempre, impulsando condiciones de mínima intervención en los mercados porque se favorece la creatividad y la coordinación empresarial ejercida por millones de personas actuando en libertad.

Antes de proseguir, se debe señalar al lector que el presente trabajo parte de tres premisas esenciales para que se produzca el crecimiento económico en un orden extenso y complejo de colaboración humana que es lo que denominamos sociedad civilizada.

En primer lugar, se considera que la *acción humana*³ ejercida en libertad permite mayores niveles de prosperidad por medio de la maximización del intercambio de bienes y servicios en un territorio. Y la acción humana se considera equivalente al ejercicio de la *función empresarial*⁴ que se caracteriza por la aplicación por el ser humano de sus capacidades de creatividad y de coordinación que le permiten la búsqueda, la identificación y el aprovechamiento de las oportunidades de ganancia que existen en el entorno. Por tanto, el estudio parte de la premisa de otorgar la máxima importancia al ejercicio libre de la empresarialidad porque entiende que todo acto empresarial identifica, aprovecha y coordina la información de naturaleza tácita, dispersa, práctica y subjetiva que existe en el mercado y, además, crea y genera nueva información que se requiere para realizar el cálculo económico y ofrecer bienes y servicios para satisfacer las necesidades y circunstancias de las demás personas, creando de esta

³ (Mises, 2009, pp. 11-29).

⁴ (Huerta de Soto, 2010, pp. 41-86). Se entiende la función empresarial como un proceso continuo de eficiencia dinámica que se caracteriza por la creatividad y la coordinación constantes y que, por tanto, requiere de ahorro privado para acometer las inversiones presentes y futuras en procesos de investigación y desarrollo, de innovación y de producción de nuevos bienes y servicios.

manera, espontánea e inconsciente, la vida en una sociedad civilizada; lo que contrasta con el colectivismo propio de las sociedades tribales y menos evolucionadas socialmente.

En segundo lugar, se advierte de la importancia del *marco institucional*⁵ para el libre ejercicio de la función empresarial dentro de un Estado de Derecho, digno de tal nombre, que proporcione el máximo nivel de protección tanto a la propiedad privada como a los contratos privados libremente consentidos, como instituciones jurídicas que proporcionan los incentivos necesarios para el desarrollo de la creatividad y la coordinación empresariales en un entorno de mínima coacción y violencia. Se considera que las instituciones deben favorecer una expresión correcta del *mercado libre o capitalismo*⁶: sin barreras comerciales, sin regulaciones intervencionistas y sin coacción gubernamental por medio de subidas de impuestos o bien por incrementos constantes y crecientes del déficit y del endeudamiento del Estado que significan más impuestos futuros y más coacción sobre el ahorro y la inversión de familias y empresarios.

Por tanto, se trata de que las instituciones favorezcan la *eficiencia dinámica*,⁷ en cada momento y en cada lugar, proporcionando

⁵ (North, 1992, pp. 477-488). Douglass North indicaba que: «Institutions are the rules of the game in a society; more formally, they are the humanly devised constraints that shape human interaction. Thus, they structure incentives in exchange, whether political, social, or economic». Se pueden distinguir entre instituciones formales (Constitución, leyes, reglamentos, contratos,...) e instituciones informales (normas de comportamiento, convenciones, códigos de conducta autoimpuestos,...).

⁶ Este trabajo académico, cuando se emplean los términos el mercado libre o el capitalismo, se refiere indistintamente al ejercicio libre de la función empresarial en un Estado de Derecho, digno de tal nombre (independencia judicial, garantías procesales, separación de poderes,...), y en condiciones de mínima coacción por parte de las autoridades públicas y de los agentes privados, para lo que se requiere que el tamaño del Estado (central, regional o local) sea lo más pequeño posible dentro de una estructura institucional que proporcione la estabilidad necesaria para ejercer la función empresarial, si bien capaz de dotar buenas condiciones de seguridad exterior, interior y jurídica al territorio en donde ejerza su jurisdicción.

⁷ (Huerta de Soto, 2012: p. 68). Tal y como indica el profesor Huerta de Soto en un trabajo publicado en el número de marzo-abril 2012 de la revista ICE: «el criterio de eficiencia dinámica está indisolublemente unido al concepto de función empresarial...su elaboración nunca puede efectuarse en un vacío institucional o, dicho de otra manera, que el análisis teórico de la eficiencia dinámica es inseparable del estudio del marco institucional en el que se llevan a cabo los comportamientos empresariales».

certidumbre jurídica y vital a las interacciones propias de la acción humana que son las responsables del crecimiento en Economía.

En tercer lugar, este estudio considera que el *socialismo* es un error teórico constituido por un sistema abstracto de pensamiento fuertemente arraigado en el pensamiento más arcaico y tribal del hombre, basado en conceptos como la *solidaridad*, el *altruismo* o la *redistribución* de la riqueza que pueden ser económicamente óptimos aplicados en grupos reducidos (como una tribu o una aldea) pero que dejan de tener sentido en los órdenes superiores de colaboración humana; en donde se transita desde la economía de subsistencia hasta el mayor crecimiento económico de las sociedades civilizadas mediante la acción humana basada en instituciones más complejas y sofisticadas, entendidas como patrones de comportamiento adquiridos en un lento proceso de evolución socio cultural como, entre otras, el respeto por la vida, la libertad, el lenguaje, la familia, la propiedad, los contratos, el comercio, el dinero, la banca o la empresariedad; que se transmiten, de generación en generación, en un proceso neurolingüístico situado a medio camino entre lo racional y lo irracional.

De ahí que se considere el socialismo como un *error teórico* propio de la innata arrogancia y de la soberbia racionalista del ser humano, que está históricamente predestinado a aflorar de forma recurrente,⁸ bajo nuevas formas de intervencionismo⁹ sobre la

⁸ (Hayek, 1997, pp. 247 y ss.)

⁹ (Mises, 2009, pp. 313-314). El profesor Mises advertía sobre la recurrencia del error del socialismo: «It is quite common nowadays to depreciate the capitalists and entrepreneurs. A man is prone to sneer at those who are more prosperous than himself. These people, he contends, are richer only because they are less scrupulous than he ... Now it is true that under the conditions brought about by interventionism many people can acquire wealth by graft and bribery. In many countries interventionism has so undermined the supremacy of the market that it is more advantageous for a businessman to rely upon the aid of those in political office than upon the best satisfaction of the needs of the consumers. But it is not this that the popular critics of other people's wealth have in mind. They contend that the methods by which wealth is acquired in a pure market society are objectionable from the ethical point of view. Against such statements it is necessary to emphasize that so far as the operation of the market is not sabotaged by the interference of governments and other factors of coercion, success in business is the proof of services rendered to the consumers». Mises advierte no sólo contra el totalitarismo del socialismo «real»

acción humana de millones de personas. La caída del socialismo real a partir del año 1989 en los países del Este de Europa fue un acontecimiento de primera magnitud que demostró lo acertado de la teoría de la imposibilidad del cálculo económico en el socialismo, que defendieron los economistas Ludwig von Mises y Friedrich A. Hayek.

Sin embargo, la comunidad de científicos sociales sigue coqueteando con el intervencionismo y sigue sin avisar y advertir a los ciudadanos de los peligros derivados del *socialismo de mercado*¹⁰ que se identifica en los países cuando muestran un aumento prolongado en el tiempo del tamaño del Estado y, consecuentemente, de la hiperinflación legislativa y de las políticas de intervención estatal en el mercado. Como veremos a continuación, la constatación de este hecho académico nos permite considerar que el error teórico del socialismo sigue presente en Europa, porque el constante incremento de las atribuciones y del tamaño del Estado continúan presentes en la mente de la mayoría de los intelectuales y dirigentes de las democracias parlamentarias.

En definitiva, el estudio considera que el *socialismo o intervencionismo* es un error teórico que consiste en: «la pretensión de coordinar la sociedad mediante la utilización sistemática de la coacción». Por tanto, se define el socialismo o intervencionismo¹¹ como: «todo sistema de agresión institucional contra el libre ejercicio de la acción humana o función empresarial».¹²

y del «fascismo» económico, sino también contra la amenaza del socialismo de mercado que merma el crecimiento económico y, también, conduce a la imposibilidad de cálculo económico a largo plazo.

¹⁰ (Huerta de Soto, 2010, pp. 265 y ss.). Es muy común entre los políticos vender al electorado una «solución competitiva» en la que, como comenta el profesor Jesús Huerta de Soto se trataría de «lograr lo mejor de los dos mundos, el socialismo y el capitalismo, dando lugar a un “socialismo de mercado” que, en su forma más «descafeinada», difícil sería de distinguir del socialismo democrático o socialdemocracia y que en su versión más “original” pretende lograr nada más y nada menos que la “cuadratura del círculo” en lo que se refiere a la solución de los problemas sociales».

¹¹ Desde el punto de vista del estudio de las ciencias sociales, significa analizar el socialismo del modo más amplio posible, como teoría económica sobre la coacción institucional y sus efectos negativos sobre la función empresarial y, por tanto, sus perniciosos efectos sobre el crecimiento económico de los países.

¹² (Huerta de Soto, 2010, p. 25).

II EL AUMENTO DEL GASTO PÚBLICO EN LOS PRESUPUESTOS GENERALES DEL ESTADO DE ESPAÑA

En este apartado, analizaremos el tamaño del Estado y la evolución del gasto público en España en los Presupuestos Generales del Estado de 2007 a 2012. Sin embargo, antes de abordar el análisis de los presupuestos públicos durante los últimos años, vamos a repasar brevemente como se originó la crisis financiera e inmobiliaria en España.

1. Origen de la crisis económica y financiera

Desde la entrada en vigor del Euro como moneda fiduciaria en el año 2001, el Banco Central Europeo (BCE) instauró una política monetaria expansiva que suministraba crédito excesivamente «barato» a los bancos comerciales y a los gobiernos europeos, cuyos efectos económicos sobre el normal funcionamiento de la función empresarial fueron los siguientes:

1. La burbuja financiera tuvo su origen en la política monetaria expansiva iniciada por el Banco de España y aumentada con la entrada en la zona del Euro y el aumento exponencial en la oferta monetaria por parte del BCE. El crédito bancario a la construcción de viviendas¹³ en España fue en aumento desde el año 1993 y hasta el 2007. Y la expresión tangible de la burbuja financiera se pudo observar en la evolución de los precios de la vivienda,¹⁴ especialmente, desde el año 1997.

¹³ (Rallo, J., 2007, pp. 13-23): «El crédito bancario a la construcción en España (1993-2007)», Observatorio de Coyuntura Económica del Instituto Juan de Mariana, Madrid. Este estudio permite observar los datos sobre el crecimiento exponencial del crédito a la construcción de viviendas y, análogamente, del número de viviendas y edificios adquiridos.

¹⁴ (Rallo, J., Merino, R., y Martín, A., 2007, p. 4): «El crédito bancario a la construcción en España (1993-2007)», Observatorio de Coyuntura Económica del Instituto Juan de Mariana, Madrid. Este estudio muestra datos concluyentes sobre el aumento exponencial de los precios de la vivienda observable desde el año 1997.

2. La política monetaria expansiva dio lugar a un ciclo económico¹⁵ de larga duración y a una burbuja financiera que se infló de forma exponencial a partir de la adopción del Euro como moneda fiduciaria común en el año 2001 y, especialmente, por el incremento de la oferta monetaria del BCE con la imposición de bajos tipos de interés y la concesión de crédito ilimitado a los bancos comerciales de la zona Euro y a sus gobiernos. Se aumentó la masa monetaria por encima del ahorro que proporciona el incremento anual de la producción de bienes y servicios de la zona Euro y, por tanto, por encima de las necesidades de la economía real.
3. Lo anterior produjo una sensación psicológica colectiva de *enriquecimiento*, inducida por la oferta monetaria expansiva de los bancos centrales, que generó una burbuja financiera e inmobiliaria en los países europeos y, de modo especial, en aquellos como España, con una cultura menos desarrollada entorno a conceptos financieros como, por ejemplo, el equilibrio presupuestario entre ingresos y gastos, el nivel de apalancamiento al contraer deudas, la liquidez necesaria para atender imprevistos, las garantías como respaldo en la concesión de créditos, la valoración correcta de las inversiones, o la importancia del ahorro personal para acometer las inversiones futuras.
4. Los agentes económicos, más o menos conscientes del riesgo que asumían, decidieron endeudarse a corto plazo para invertir a largo plazo, lo que provocó un descalce de plazos en el sistema bancario al quedar los créditos garantizados por activos poco líquidos y sobrevalorados y, por tanto, con efectos letales sobre la banca a largo plazo.
5. Los empresarios recibían créditos en condiciones muy ventajosas de las entidades financieras, lo que les inducía a iniciar inversiones más capital intensivas y más alejadas en el tiempo, situadas en las fases más alejadas de la estructura productiva del capital y en sectores como el inmobiliario donde

¹⁵ (Huerta, J., 2011, pp. 277-313). El profesor Jesús Huerta de Soto explica la teoría austriaca del ciclo económico y los efectos de la expansión crediticia bancaria no respaldada por un aumento del ahorro.

los incrementos de precios y ganancias aparentaban no tener fin.

6. Análogamente, los consumidores recibían facilidades crediticias para proveerse de bienes y servicios que, mientras durase el crédito, permitía mantener un elevado estatus social, por encima de las posibilidades que permitían los ingresos anuales de la unidad familiar. De hecho, la política monetaria expansiva sólo se aprecia por los ciudadanos comunes vía la inflación de los precios y el encarecimiento del coste de la vida.
7. A comienzos del mes de agosto de 2007, las hipotecas *subprime* para adquirir bienes inmuebles (otorgadas a familias con bajos ingresos y sin el respaldo de garantías de calidad) desataron las alarmas entre los inversionistas internacionales y se pinchó la burbuja financiera e inmobiliaria, desatándose una crisis financiera¹⁶ de primer orden en Estados Unidos, donde la Reserva Federal había realizado una política monetaria aún más relajada que la europea y, a continuación, en Europa, donde el Banco de Inglaterra y el Banco Central Europeo también intentaron generar crecimiento vía inflación de precios.¹⁷

¹⁶ (Rallo, J., Merino, R., y Bagus, P., 2007, p. 38). Los bancos centrales implementaron planes conjuntos que intentaron seguir aumentando los créditos a los bancos comerciales con el objetivo de que fluyese liquidez hacia la inversión privada. Sin embargo, la incertidumbre financiera y la desconfianza de los inversores internacionales hacia los activos inmobiliarios (sobrevalorados), hicieron que la acumulación de liquidez se produjese en forma de oro y otras materias primas y, también, en forma de pagarés, letras y bonos del tesoro que están sirviendo para mantener el excesivo gasto público de las democracias parlamentarias de Europa y de los Estados Unidos.

¹⁷ (Rallo, J., Calzada, G., y Merino, R., 2007, pp. 11-12). En todo proceso inflacionista existen ganadores y perdedores. Entre los ganadores se encuentran los deudores y, de modo preferencial, los gobiernos, puesto que reciben el dinero procedente de la expansión crediticia antes que nadie y pueden cumplir promesas electorales, aunque sean inverosímiles y utópicas, por medio de aumentos del gasto público y, por tanto, con incremento del tamaño del Estado y de la intervención pública. Entre los perdedores del proceso inflacionario se encuentran los acreedores, los ciudadanos y las empresas que menor relación tengan con el gobierno, porque los flujos monetarios adicionales les llegarán en forma de ingresos cuando la inflación de precios ya haya ocurrido y, por tanto, cuando su poder adquisitivo haya mermado como consecuencia del aumento de los precios.

La crisis económica y financiera, que se inició en el segundo semestre del año 2007, surge como consecuencia directa de las políticas monetarias expansivas de los bancos centrales que, en un entorno de dinero nacionalizado y de leyes de curso forzoso, aumentan los créditos sin el respaldo de un incremento equivalente del ahorro voluntario y permiten que se produzca un descalse de plazos entre el dinero prestado a corto plazo con el respaldo de activos que supuestamente se revalorizarían *ab infinitum*.

Con el aumento de la masa monetaria por parte de los bancos centrales se incita al incremento del gasto público y, por tanto, al aumento del tamaño del Estado. Adicionalmente, los bancos comerciales son inducidos a realizar políticas de mala *praxis* financiera que generan una sensación de riqueza en la sociedad y errores de cálculo económico de los agentes económicos con aumento constante de préstamos insuficientemente respaldados, por medio de activos sobrevalorados y, por tanto, de inversiones a largo plazo y en bienes más capital intensivos.

Se conduce de forma inexorable a una expansión o un *alargamiento* de los procesos de inversión en la estructura productiva del capital que adopta la forma de una burbuja financiera de tipo especulativo que genera graves errores de inversión en el ejercicio de la función empresarial que se orienta a bienes más intensivos en capital.

El profesor Juan Ramón Rallo distingue tres burbujas que se generan por la política monetaria expansiva del Banco Central Europeo (BCE).¹⁸ Una *burbuja financiera* que se crea por el exceso de disponibilidad de crédito que proporcionan los préstamos del BCE al multiplicarse las concesiones de los bancos comerciales. Una *burbuja productiva* que se crea al producirse mayores inversiones en las etapas más alejadas de la estructura productiva del capital al disponerse de préstamos que las posibilitan y que en la mayoría de los casos se vienen abajo en cuanto se pincha

¹⁸ (Rallo, 2012). En el Capítulo VII de la obra «Una Alternativa Liberal para Salir de la Crisis» se incluye, también, un cuadro con las medidas liberales que deberían adoptarse para pinchar las burbujas y lograr introducir el país por la senda del crecimiento económico mediante el impulso de la función empresarial en mercados desregulados.

la burbuja financiera y se observa que existen activos sobrevalorados. Y, también, una *burbuja estatal* que se produce como consecuencia del aumento de los gastos del sector público de acuerdo con el incremento de la recaudación tributaria por la formación de las burbujas financiera y productiva.

Este estudio analiza la *burbuja estatal* por medio de la evolución de los presupuestos de las administraciones públicas y observa el excesivo tamaño del Estado en relación con el Producto Interior Bruto (PIB) de España, alcanzado como consecuencia de la política monetaria expansiva del BCE y de los excesos de las políticas presupuestarias, también expansivas, de los sucesivos Gobiernos hasta el año 2010 en el que se intentó un primer recorte presupuestario.

A largo plazo, la política monetaria expansiva iniciada por el BCE en el año 2001 ha desembocado en un estallido de la burbuja financiera y de la burbuja productiva y, por tanto, en una crisis económica y financiera que pone de manifiesto los errores de inversión y que se corrige por medio del desempleo, la desinversión, la liquidación y la reasignación de los recursos erróneamente asignados.

Sin embargo, el BCE proporcionó también una fuente de financiación a muchos Estados que, cuando estalló la crisis económica y financiera, pudieron sostener presupuestos públicos desequilibrados por medio del endeudamiento y, por tanto, han mantenido sus elevados niveles de gasto público y una *burbuja estatal* que, como veremos a continuación, en el caso de España sitúa el presupuesto público total en el 52,3% del PIB en el año 2012.

2. Aumento del gasto público en España desde el año 1975 hasta el 2007

El gasto público de España tuvo una dimensión limitada en los años 60 y 70. Con el crecimiento económico experimentado en esas décadas como consecuencia de la apertura económica iniciada por España, al iniciarse la transición hacia las libertades políticas y la democracia parlamentaria, el tamaño del gasto público

estaba situado por debajo del 25% del PIB¹⁹ frente al promedio del 40% del PIB en los principales países europeos. Con la aprobación de la Constitución Española de 1978 (CE), se inició la democracia parlamentaria en España lo que permitió el ejercicio de las libertades políticas, la apertura socio cultural y la intensificación del comercio con los países europeos.

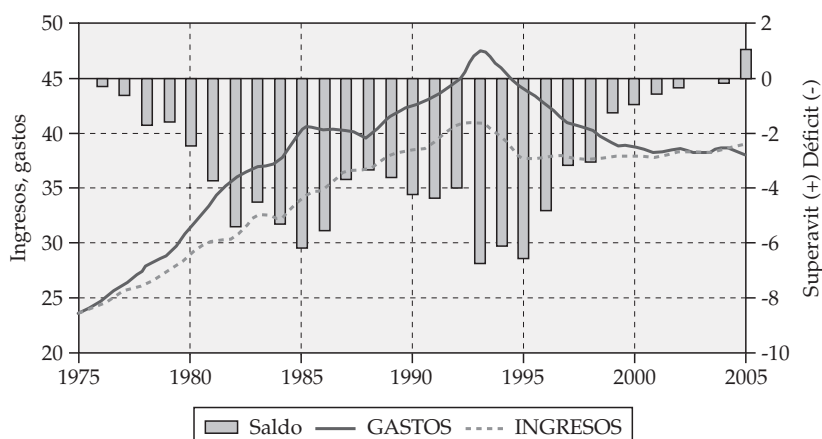
Sin embargo, desde el punto de vista del análisis de la evolución del gasto público y, por tanto, del tamaño del Estado, se puede observar un rápido y constante aumento del gasto de las administraciones públicas con una influencia directa e indirecta tanto sobre el patrimonio y la hacienda de las familias como sobre los recursos propios de los empresarios del país. El Instituto de Estudios Fiscales publicó el *Gráfico 1* en donde se distinguían cuatro periodos presupuestarios²⁰ desde el año 1975 y hasta el 2007.

Para el propósito de nuestro estudio, hay que señalar que esos datos que muestran desde 1975 y hasta 1993 el volumen del gasto público creció desde menos del 25% del PIB en el año 1975 hasta alcanzar el 48% del PIB en el año 1993. Y, también, hay que destacar que durante los 30 años que abarcan desde 1975 y hasta 2005, los gastos presupuestarios siempre permanecieron por encima de los ingresos públicos obtenidos por la recaudación tributaria hasta que en el año 2005 se logró el primer superávit presupuestario de la democracia, como consecuencia de los buenos resultados de recaudación tributaria, que iniciaron su descenso por el

¹⁹ El Producto Interior Bruto (PIB) es la variable «oficial» que emplean los gobiernos y las instituciones financieras internacionales para realizar la medición del volumen de productos y servicios generados por la economía de un país, si bien no incorpora todos los productos y servicios «intermedios» de la estructura productiva del capital de un país y, en cambio, sí incorpora el consumo y la inversión del sector público. Por estos motivos, algunos economistas consideran que podría ser mejorable, cuantitativa y cualitativamente, la medición de la riqueza de un país.

²⁰ (Gil-Ruiz & Iglesias, 2007, pp. 185-206). Interesantes los datos aportados por Carmen Luisa Gil-Ruiz Gil-Esparza y Jaime Iglesias Quintana en su estudio «El gasto público en España en un contexto descentralizado», dado que se emplean las fuentes oficiales de la IGAE (Intervención General de la Administración del Estado) y de la Comisión Europea. Sirvió como base para la elaboración del presupuesto y el gasto públicos de la Ley 47/2007. Como veremos, sin embargo, nuestro análisis interpreta críticamente los datos de aumento del tamaño del Estado en España.

GRÁFICO 1
ADMINISTRACIONES PÚBLICAS.
INGRESOS Y GASTOS 1975-2005
(En porcentaje del PIB)



Fuente: IGAE y Comisión Europea.

estallido de la burbuja financiera e inmobiliaria en el segundo semestre de 2007.

Sin embargo, los datos del gasto público no descendieron acompañando a los indicadores económicos que mostraban el inicio de una crisis y que avisaban del descenso en la recaudación tributaria, lo que se hubiese correspondido con una política presupuestaria orientada hacia la estabilidad presupuestaria. Por el contrario, el Gobierno de España recurrió al masivo endeudamiento presupuestario y al déficit público para compensar los descensos en la recaudación de impuestos.

Tal y como se demuestra en el siguiente subapartado, los datos incluimos y analizamos en el ANEXO de este estudio demuestran que el gasto de las administraciones públicas (central, regional-autonómica y local) ha seguido creciendo hasta que en el ejercicio presupuestario 2008 el gasto público rebasó el 50% del PIB de España y siguió aumentando en años posteriores.

Dado que la política monetaria expansiva del BCE comenzó a aplicarse en el año 2001, y con el objetivo de analizar la evolución

del gasto público y, por tanto, del tamaño del Estado en España, este estudio distingue cinco periodos presupuestarios en el periodo desde el año 1975 (cuando muere el dictador)²¹ y hasta el año 2007 de inicio de la conocida como Gran Recesión²²:

a) Periodo 1978-1985:

Con el inicio de la democracia parlamentaria, el gasto público de la Administración General del Estado (AGE) se expande en 15 puntos porcentuales desde el año 1978 hasta situarse entorno al 40% del PIB en el año 1985, principalmente, como consecuencia del aumento del gasto público en coberturas *sociales* más allá de la provisión de la educación y de la sanidad que ya existía en la dictadura con un sistema mixto de centros de enseñanza y hospitales públicos, coexistiendo con las entidades privadas.

b) Periodo 1986-1988:

España entró en la Comunidad Económica Europea en el año 1986 y, aunque el gasto público siguió creciendo, se produjo un breve ajuste fiscal impulsado por la vía de aumento de los ingresos tributarios como consecuencia de una fase alcista del ciclo económico y no por la vía de la reducción del gasto de las administraciones públicas.

Durante tres ejercicios presupuestarios, 1986, 1987 y 1988, el gasto de la Administración General del Estado (AGE) queda estabilizado entorno al 40% del PIB, su déficit público baja hasta el 3,4% PIB y se detiene la espiral de creciente endeudamiento para financiar las administraciones públicas. Si bien, las cesiones del Gobierno ante la huelga general del año 1988, se tradujeron en

²¹ El estudio considera que la muerte del dictador Francisco Franco Bahamonte el 20 de noviembre de 1975 puede considerarse la fecha de inicio oficial de la transición de España a la democracia multipartidista, que se consolidó con la ratificación por los ciudadanos españoles de la actual Constitución Española en el referéndum celebrado el 6 de diciembre de 1978.

²² Algunos autores denominan Gran Recesión a la crisis económica y financiera iniciada en agosto del año 2007, para contraponerla a la Gran Depresión que se inició en el año 1929.

un incremento de las prestaciones «sociales» y del gasto público en los siguientes ejercicios.

Al final del periodo, las Comunidades Autónomas ya gestionaban el 20% del gasto de las administraciones públicas, si bien la posterior captación de más competencias del estado central y la carencia de control presupuestario por parte de la Inspección General de la Administración del Estado, propiciarían el aumento de su gasto y la comisión de numerosas irregularidades en la gestión de los recursos públicos.

c) Periodo 1989-1993:

España organizó acontecimientos con alta repercusión internacional como la celebración de los Juegos Olímpicos en Barcelona y la Exposición Internacional en Sevilla durante el año 1992, que tuvieron un gran impacto presupuestario por la vía del incremento de las partidas de gasto por medio de las inversiones y el consumo públicos.

En este periodo presupuestario del 1989 al 1993, se aplicaron políticas keynesianas de aumento del gasto «social» y de estímulo de la demanda agregada por medio de las subvenciones, ayudas e inversiones públicas y, como consecuencia directa de las mismas, el periodo presupuestario 1989-1993 se caracteriza por un aumento del 80% en el gasto público del estado central, sin que acompañase la recaudación tributaria, por lo que se produjo un fuerte desequilibrio presupuestario.

La errónea gestión de las finanzas públicas durante el periodo presupuestario 1989-1993 se puso de manifiesto en el déficit público que alcanzó el 6,7% del PIB, el endeudamiento público que se aproximó al 60% del PIB y en el gasto de la Administración General del Estado (AGE) que llegó hasta el 48% del PIB en el año 1993.

Este último dato significa que, en los primeros 15 años de democracia parlamentaria, el sector público del estado central de España se duplicó hasta alcanzar el 48% del PIB en el año 1993, quedando a tan sólo 5 puntos de alcanzar el promedio de la UE-15; lo que no deja de ser sintomático del «socialismo de mercado» que prevalece en las socialdemocracias de Europa y que impide el

ejercicio libre de la función empresarial para conseguir mayores niveles de generación de riqueza para el conjunto de la población.

Por tanto, el tamaño del Estado alcanzó en el año 1993 cerca de la mitad del PIB de España de forma directa, si bien su influencia era todavía mayor por medio de las leyes, normas y regulaciones sobre las actividades económicas de las familias y empresas que actúan en un sector privado al que sólo se le deja ejercer la función empresarial para la búsqueda de la eficiencia dinámica en economía sobre la mitad del PIB español.

d) Periodo 1994-2001:

Justo después de los acontecimientos de relevancia internacional del año 1992, el año 1993 se produjo una crisis económica que supuso el descenso en la actividad económica, el cierre de miles de empresas y el descenso en la recaudación tributaria.

Se puede observar en el *gráfico 1* la evolución del volumen de gastos e ingresos públicos y del déficit presupuestario entre los años 1975 y 2005. Obsérvese el pico de gasto y déficit públicos en el año 1993. Este hecho provocó que en el año 1994 se iniciase un descenso en el gasto público que redujo el déficit presupuestario por debajo del 5% del PIB pero, inmediatamente después, en el año 1995 volvió a subir el déficit público como consecuencia de aumentar el gasto *social* para preparar las elecciones generales que se celebraron en el año 1996.

En general, los gobiernos buscaron la disminución del déficit y del endeudamiento públicos durante el periodo presupuestario 1994-2001 para situarlos por debajo del 6% PIB²³ y del 60%

²³ (Blanco, Cantos, García, Gómez & Iglesias, 2002, p. 9). Desde el año 1995 hasta el año 2000, se logró reducir el déficit público en un -6,3% PIB por la vía del control del control del gasto público (-5,4% PIB) y por el aumento de los ingresos por la recuperación de la actividad económica (-0,9% PIB). Se realizaron reducciones en el gasto corriente primario (sueldos y salarios públicos) y en prestaciones sociales. No obstante, las partidas de inversiones públicas se mantuvieron fijas de modo que el porcentaje del año 1998 fue similar al alcanzado en el año 1995. Los gobiernos del ex presidente José María Aznar López lograron alcanzar la contención presupuestaria en el año 2001 (y también en el 2002) que se habían marcado como objetivo para poder acceder a emplear el Euro como moneda fiduciaria común.

PIB,²⁴ respectivamente, y así lograr el cumplimiento con las condiciones del Plan de Estabilidad Financiera para ingresar en la zona Euro.²⁵ Pero, sin embargo, fue el cambio de gobierno del año 1996, el hecho político que propició la consolidación de las políticas presupuestarias de ajuste fiscal por medio de la fuerte reducción del gasto público que impulsó el profesor D. José Barea²⁶ y, en menor medida, sus sucesores en la Oficina Presupuestaria hasta el 2001.

Se puede observar que hubo una tendencia a invertir la expansión del gasto público entre los años 1994 a 2001 como consecuencia directa de las políticas de ajuste presupuestario por la

²⁴ (Ibídem, p. 8). Evolución de la deuda pública: 64,7% (año 1998), 63,4% (1999), 60,6% (2000), 58,1% (2001) y 55,6% (2002), y en el año 2001 se cumplieron las condiciones para estar en zona Euro.

²⁵ El Tratado de Maastricht estableció los criterios para alcanzar la convergencia entre los estados miembros y poder acceder a emplear el Euro como moneda fiduciaria común. España tuvo que realizar un importante esfuerzo presupuestario para cumplir dos de las condiciones principales que el déficit público no superase el 3% PIB y que la deuda pública no rebasase el 60% PIB. Hay que destacar que España cumplía perfectamente las condiciones del Plan de Estabilidad Financiera de la zona Euro hasta el año 2007 cuando se desató la crisis financiera y económica. A partir del año 2007, los datos muestran como los gobiernos del ex presidente José Luis Rodríguez Zapatero comenzaron a recurrir al endeudamiento y, en última instancia, incluso se incumplieron los límites de déficit presupuestario acordados por España con la Comisión Europea.

²⁶ El tiempo ha dado la razón al profesor José Barea Tejeiro que fue el director de la Oficina Presupuestaria del Gobierno desde el año 1996 hasta ser aceptada su dimisión el 31 de julio de 1998, ya que consideraba que los Presupuestos Generales del Estado debían ser aprobados con mayores restricciones (y reformas) en las políticas del gasto público «social» para dotar de viabilidad a largo plazo al sistema de pensiones, a la sanidad, a la educación o a la seguridad social de un modo que España fuese más competitiva internacionalmente, lo que constituye el principal argumento que pretende demostrar este estudio. En una entrevista de fecha 19/07/2009 comentaba en el periódico ABC: «Cuando fui nombrado director de la Oficina Presupuestaria el déficit estaba en el 6% del PIB. Entonces se encargó una auditoría a la Intervención General del Estado y, para sorpresa, resulto que había un déficit en el que se había incurrido y que no estaba contabilizado del 1% del PIB, con lo que el déficit se elevó al 7% PIB. Mi misión fue reducir el déficit hasta el 3% en un año y medio. Se consiguió. Para empezar 200.000 millones se dieron de baja en los créditos y el resto al año siguiente cuando se hizo el presupuesto. Pero, entonces, el Presidente (Aznar) se mantuvo firme; dos veces al mes mantenía una reunión con el vicepresidente Rodrigo Rato, con los tres secretarios de Estado, Economía, Hacienda y conmigo. Se hizo un ajuste fuerte, el que no se hizo ahora...».

vía de la reducción del gasto público, que permitieron que España lograra cumplir con el plan de estabilidad presupuestaria que permitía que entrara a formar parte de los países europeos que emplearían el Euro desde el año 2001, como única moneda fiduciaria común, dentro del ambicioso proyecto de integración económica del área de libre comercio que constituye la Unión Europea.

e) Periodo 2001-2007:

El tamaño de Estado volvió a quedar en el entorno del 40% del PIB en el año 2001. Y, desde entonces, ha ido creciendo de modo imparable, como consecuencia de dos hechos que tienen especial relevancia en la evolución futura de las cuentas públicas de España.

En primer lugar, dejó de estar en vigor la moneda fiduciaria de España, la Peseta, y comienza el monopolio por parte del Banco Central Europeo (BCE) de la emisión de dinero en la moneda fiduciaria común y de la tasa de interés en los préstamos en Euros, lo que se traduce en que el BCE pasó a controlar el flujo de la masa monetaria en la zona Euro y, por tanto, el Banco de España perdió la mayor parte de su capacidad de decisión en la política monetaria²⁷ del país.

En segundo lugar, el Gobierno de España tomó la decisión política de transferir las competencias de sanidad y educación a aquellas comunidades autónomas que todavía no las tenían transferidas, aplicando el artículo 150 CE, lo que *a posteriori* dispararía

²⁷ Este hecho, en principio, no tendría que ser perjudicial para los intereses económicos de los españoles, si la política monetaria hubiese sido estricta para que los aumentos de la masa monetaria hubiesen acompañado el nivel de creación de riqueza (producción de bienes y servicios) de la economía española. Por el contrario, el BCE siguió una política monetaria expansiva que ayudó a la expansión de la burbuja financiera e inmobiliaria en España. El BCE impuso condiciones expansivas con bajos tipos de interés y crédito sin límite a los bancos comerciales europeos lo que, en primera instancia, favorecía a los países netamente exportadores del centro y norte de Europa como Holanda, Dinamarca, Finlandia y Alemania y, sin embargo, perjudicaba a las economías de los países periféricos, por ser netamente importadores e inflacionistas como en los casos de Portugal, Italia, Grecia y España y, también, en Bélgica y Francia.

el gasto público hasta niveles nunca antes conocidos, como consecuencia de la organización territorial de España,²⁸ con múltiples administraciones públicas interviniendo al mismo tiempo.

El periodo presupuestario 2001-2007 aprovechó el ajuste fiscal del periodo 1994-2001 y la fase de crecimiento del ciclo económico derivada de la incorporación a la zona del Euro e impulsada por la política monetaria expansiva del BCE, lo que generó una burbuja crediticia que, año tras año, permitía el aumento de los ingresos públicos por la mayor recaudación tributaria obtenida, principalmente, como consecuencia del fuerte crecimiento del sector de la construcción de viviendas y del sector inmobiliario.

Desde el año 1997, tanto el gasto público como el privado crecieron pero, de modo especialmente significativo durante el periodo presupuestario 2001-2007 sobre la base de una burbuja financiera e inmobiliaria, lo que se observa en el incremento constante de los precios de las viviendas y en los ingresos públicos crecientes en el conjunto de las administraciones públicas. La fase ascendente del ciclo económico trasladó una fuerte sensación de *enriquecimiento* hacia los ciudadanos y los políticos, lo que sirvió de incentivo negativo para que se descuidase la salud financiera de los presupuestos privados y públicos.

²⁸ España tiene más de 8000 entidades locales con sus ayuntamientos y está territorialmente dividida en 52 provincias con sus diputaciones y delegaciones del gobierno. Como consecuencia del Título VIII de la Constitución Española de 1978 (CE), España cuenta también con 17 autonomías con sus gobiernos y sus parlamentos y, también, con sus administraciones, entramado público empresarial, funcionarios y gastos públicos asociados, lo que dificulta el ejercicio de la función empresarial del sector privado. Los artículos 148 a 155 de la Constitución Española de 1978 y las cesiones constantes del Gobierno central han permitido un Marco Institucional que diluye responsabilidades y hasta consiente planteamientos de secesión en contra del Estado de Derecho (artículos 2, 8 y 155 de la CE) por parte de los políticos nacional-separatistas de Cataluña y País Vasco, con políticas presupuestarias de aumento constante del gasto público, orientadas hacia la imposición de un modelo de sociedad «colectivista», instrumentado al servicio de redes clientelares de políticos, asociaciones, fundaciones y empresarios que buscan la captación de más prebendas públicas (contratas, concesiones, subvenciones, oligopolios,...), con la excusa de la creación de nuevas realidades «nacionales» que sólo interponen barreras comerciales, y ni defienden los derechos individuales ni el libre ejercicio de la función empresarial en sus territorios.

Obviamente, se desatendieron los consejos de algunos economistas²⁹ que sí advertían sobre las políticas de expansión crediticia no respaldada por un aumento del ahorro, el origen monetario del ciclo económico, la creación de una burbuja financiera, la necesidad de reformas estructurales y la carencia de solidez financiera del aumento del gasto público sostenido con los ingresos públicos sólo obtenidos como consecuencia de la fase alcista del ciclo económico y que se terminarían, cuando estallase la burbuja financiera creada por los bancos centrales.

3. Aumento del gasto público en España en los presupuestos de 2007 a 2012

Tal y como señalaba el profesor Juan Velarde³⁰ se adoptó en España, de modo especialmente acentuado a partir de 2007, un modelo económico keynesiano con fuertes déficits y endeudamiento en el sector público que deben ser corregidos.

²⁹ (Huerta, J., 2011, p. 341). El profesor Jesús Huerta de Soto advertía ya en prefacio de la segunda edición de su libro en el año 2002 sobre el problema de la manipulación y la reducción de los tipos de interés por parte de los bancos centrales de Estados Unidos, de Japón y de Europa como reacción al atentado terrorista del World Trade Center de Nueva York el 11 de septiembre de 2001. En la página 341 del libro, indica que: «...las crisis y depresiones económicas no se pueden evitar si previamente se produce una expansión crediticia. Lo único que se puede hacer es prevenir el comienzo del proceso impidiendo que se emprendan políticas de expansión crediticia o de crecimiento de la oferta monetaria en forma de concesión por parte de la banca de nuevos créditos». En el capítulo IX del libro, el profesor Huerta de Soto expone su teoría del coeficiente de caja del 100 por cien como propuesta de reforma del sistema bancario en varias fases de «modificaciones institucionales que es preciso llevar a cabo para inmunizar a las economías modernas de las etapas sucesivas de auge y recesión que vienen experimentando regularmente». Entiende que es preciso el establecimiento de un verdadero sistema monetario de banca libre con coeficiente de caja del 100 por cien, para evitar la coacción sistemática ejercida por los gobiernos y bancos centrales sobre el dinero, entendido como institución abstracta, difícil de entender, pero fundamental en la economía.

³⁰ (Velarde, 2012, pp. 223-224). El profesor, D. Juan Velarde, nos explica que: «Todo lo empeoró, naturalmente, la crisis económica mundial que surge, precisamente, a partir de 2007. La financiación exterior es cada vez más ardua y la réplica es una depresión con un incremento en la cifra de desempleados... en España lo que pasa a golpearnos era muy parecido a una guerra. Pero se adoptó este modelo en el que

En los años 2007 a 2012, el *sector privado* ha ajustado su estructura productiva por la vía de la reducción de gastos, tal y como revela el aumento de la tasa de desempleados por encima del 25% de la población activa. Parte del ajuste de los costes de producción se ha realizado por la vía de la reducción de costes fijos y, por tanto, de la masa salarial para poder situar las empresas en situación de poder competir internacionalmente³¹ y mostrar sus cuentas financieras saneadas, tanto a las entidades financieras (recursos ajenos) como a sus propios accionistas (recursos propios).

Sin embargo, como veremos a continuación, los Gobiernos de España han realizado reformas estructurales insuficientes en el *sector público* para reducir por la vía del gasto el déficit estructural de las administraciones públicas en el medio y largo plazo.³²

me atrevo a llamar periodo keynesiano, en forma de fuertes déficits del sector público. Este exceso de gastos sobre ingresos no tenía precedentes estadísticos incluso remontándonos a 1850, año del que parte la serie anual de nuestro PIB. Esto obligó a emitir deuda pública en cantidades notables. Efectivamente, se partía de un nivel muy bajo, pero la rapidez en su incremento alarmó a los mercados financieros y el resultado, bien sabido y comentado, ha sido una caída en las cotizaciones de los empréstitos, lo que supone un alza notable en los tipos de interés que se ha acentuado en los últimos tiempos.»

³¹ Hay que destacar que el Real Decreto-Ley 3/2012, de 10 de febrero, de medidas urgentes para la reforma del mercado laboral, ha introducido cierta flexibilización que facilita la contratación y, también, reduce el coste del despido de los empleados, lo que permite a las empresas poder adaptar mejor su estructura productiva a las circunstancias de la crisis económica y financiera para no verse forzados al concurso de acreedores o bien a la quiebra y el cierre del negocio.

³² Como excepción, que marca el camino de la reducción del gasto público, hay que destacar el Real Decreto 1483/2012, de 29 de octubre, por el que se aprueba el Reglamento de los procedimientos de despido colectivo y de suspensión de contratos y reducción de jornada. Ha introducido la posibilidad de reducciones de plantilla en las administraciones públicas afectando al personal laboral, que no son funcionarios de carrera, si los organismos y empresas públicas en donde trabajan registran déficit y aplican un recorte del 5% del presupuesto en el ejercicio corriente o del 7% del presupuesto en los ejercicios previos. Sin embargo, el ajuste de los gastos de personal de las administraciones públicas debería producirse allí donde ha aumentado exponencialmente durante los últimos años, es decir, principalmente, en las Comunidades Autónomas y en las Entidades Locales. Esta reforma se suma a algunas medidas previas de reducción del gasto público ya adoptadas por Gobiernos anteriores como, por ejemplo: 1) el BOE Núm. 184 de 2 de agosto de 2011. Ley 27/2011, de 1 de agosto, sobre actualización, adecuación y modernización del sistema de Seguridad

Incluso, como consecuencia de ello, se ha llegado a recurrir a los aumentos de impuestos, en especial a partir del año 2012, lo que disminuye el crecimiento económico como veremos en el apartado tercero.

En principio, los objetivos presupuestarios del año 2007 diagnosticaban un escenario económico muy favorable para España. Incluso planteaban un presupuesto público de la AGE con superávit por primera vez durante la democracia y advertían de la necesidad de dotar de estabilidad presupuestaria a las administraciones periféricas³³:

El objetivo establecido para el Estado es de un superávit del 0,2 por ciento del PIB, siendo la primera vez desde 1975 que su presupuesto se elabora con superávit. Por su parte, el objetivo tanto para el conjunto de las Comunidades Autónomas como para el de las Entidades Locales es de un déficit del 0,1 por ciento del PIB. En este sentido, los principales organismos internacionales vienen señalando reiteradamente la necesidad de que no sólo el Estado, sino también los Entes Territoriales, sean rigurosos en el cumplimiento del principio de estabilidad presupuestaria.

Sin embargo, y a pesar de que los presupuestos aducían el principio de prudencia fiscal lo cierto es que, durante los años 2007 a 2012, el gasto público siguió creciendo y como los ingresos tributarios se ralentizaron en el año 2008 y comenzaron a descender a partir del año 2009, se recurrió al desequilibrio de las cuentas públicas empleando las dos únicas vías que existen cuando

Social , 2) BOE Núm. 75 de 27 de marzo de 2010. Real Decreto-ley 4/2010, de 26 de marzo, de racionalización del gasto farmacéutico con cargo al Sistema Nacional de Salud, y 3) BOE Núm. 205 de 26 de agosto de 2011. Real Decreto 1193/2011, de 19 de agosto, por el que se establece el procedimiento de aplicación de la escala conjunta de deducciones a la facturación mensual de cada oficina de farmacia.

³³ Según se indica en las páginas 3 y 4 del Cuaderno Blanco de los PGE 2007, se obtuvo el primer superávit de la democracia en el año 2005 lo que no se lograba desde el año 1975. Es decir, hubo que esperar 30 años para corregir el rumbo de las finanzas públicas de España y observar corrección en la gestión presupuestaria, si bien duró poco porque las políticas socialistas de aumento del gasto «social» y las políticas keynesianas de estímulo de la demanda agregada volvieron a desestabilizar el presupuesto público de España durante los gobiernos del ex presidente José Luis Rodríguez Zapatero y, posteriormente, no parece haberse corregido esa tendencia.

los ingresos no permiten cubrir los gastos públicos y cuando el Estado carece de control sobre la política monetaria para pagar sus deudas «imprimiendo» dinero.

En primer lugar, durante el periodo 2007-2012, los gobiernos han recurrido al endeudamiento del Estado que se duplicó pasando en tan sólo cuatro años desde el 34,5% del PIB en el año 2007 hasta rebasar el 70% del PIB en el año 2010 y seguir aumentando hasta rebasar las previsiones el 90% del PIB en el año 2013 y, de hecho, la Comisión Europea en su informe de otoño 2012 estima que se aproximará al 100% del PIB en el año 2014, lo que representará un coste aún mayor para las arcas públicas.

En segundo lugar, los gobiernos han incurrido en errores de previsión de los indicadores de la coyuntura económica y han incumplido reiteradamente los objetivos de déficit público comprometidos con la Comisión Europea en el Plan de Estabilidad Presupuestaria que debía equilibrar las cuentas públicas. Se anunció un ajuste fiscal de 50.000 millones € en el año 2010 sólo por la vía de la reducción del gasto público pero, en la práctica, se realizó entorno a los 15.000 millones € y hubo desviaciones sobre los objetivos de déficit para los años 2010 y 2011. Así, por ejemplo, en lugar del 6,3 % del PIB de déficit público acordado para el año 2011, se alcanzó una elevada cifra del 9,1% del PIB que provocó una desviación presupuestaria de 28.711 millones de Euros en el ejercicio del año 2011. El informe de otoño 2012 de la Comisión Europea indica que las estimaciones presupuestarias vuelven a ser desacertadas y excesivamente benevolentes con los niveles de prima de riesgo, con el nivel de crecimiento, con el volumen de la recaudación tributaria y con el cumplimiento de los objetivos de déficit público acordados con la propia Comisión Europea.³⁴

³⁴ (European Economic Forecast, Autumn 2012). Las previsiones de la Comisión Europea estiman que España alcanzará un nivel de desempleados del 26% de la población activa, que la deuda pública llegará al 100% de PIB y que, nuevamente, se incumplirán los objetivos de déficit comprometidos con la Comisión Europea y el déficit público se mantendrá por encima del 6% PIB hasta el año 2014 incluido. La previsión de la Comisión Europea muestra una caída del PIB del -1,4% en el año 2012 y otra adicional del -1,4% en el año 2013, alejadas de las previsiones de los PGE 2012 y, también, del proyecto de PGE 2013 que estima una caída del 0,5% en 2012 y

En tercer lugar, como muestran los *cuadros 1 y 2 del Anexo*, el gasto público total de las administraciones públicas ha crecido durante el periodo 2007-2012 lo que se visualiza en los siguientes *gráficos del Anexo*:

- a) El *gráfico 2* muestra la evolución 2007-2012 del PIB³⁵ hasta alcanzar los 1.054.319 millones de Euros y del gasto público total 2007-2012 hasta alcanzar los 551.373 millones Euros en el año 2012, si sumamos al presupuesto de la administración central (362.115 millones Euros), el presupuesto de las autonomías sin las transferencias del estado central (140.684 millones Euros) y el presupuesto de las entidades locales sin transferencias estatales (47.857 millones Euros).
- b) El *gráfico 3* enseña la evolución 2007-2012 del gasto público total como porcentaje del PIB en donde se comprueba como en el año 2008 aumentó el gasto público en 5 puntos porcentuales y se alcanzó el 51,4% del PIB y ha seguido creciendo como consecuencia del gasto «autonómico» en sanidad y educación

crecimiento de 0,8% en 2013. Estos errores de previsión económica son graves y pueden suponer que los objetivos presupuestarios de los PGE 2012 y de los PGE 2013 sean también incumplidos. Lo mínimo que se le pueden pedir a los presupuestos generales del estado es que sus previsiones sean realistas para no incurrir en desviaciones presupuestarias en un momento tan sumamente delicado. Este hecho, evidenciado por las previsiones de la Comisión Europea, junto con el descenso en la recaudación tributaria, pese al aumento de los impuestos (o, precisamente, debido a ellos por ser contrarios al ejercicio de la función empresarial), muestran un escenario presupuestario muy complicado y que podría guiar inexorablemente hacia el rescate financiero internacional. La única alternativa económica que tiene el Gobierno es pinchar la burbuja estatal y reducir el tamaño del Estado con recortes presupuestarios para alcanzar y, como explicamos en este estudio, sin subidas de impuestos. El ajuste presupuestario debe alcanzar, como mínimo, los niveles de gasto público del año 2001 que es cuando se inició la expansión más fuerte de la burbuja financiera, productiva y estatal que hemos mencionado y, para lograrlo, debería afectar de modo especial al nivel de gasto de las comunidades autónomas, de los municipios y al entramado público empresarial, como señalamos en las conclusiones.

³⁵ Se emplean los datos de PIB de España que muestra Eurostat por importe de 1.054.399 millones de Euros en el año 2012, si bien el informe de otoño 2012 de la Comisión Europea muestra una nueva previsión de PIB por importe de 1.064.319 millones de €, que coincide con los datos proporcionados por IGAE. En todo caso, los porcentajes del gasto público varían sólo en decimales al emplear los datos del PIB de Eurostat en los cuadros y tablas del ANEXO.

- y del gasto «social» en pensiones y en prestaciones por desempleo que han llevado las cuentas de las administraciones públicas hasta representar más del 52% del PIB en el año 2013.
- c) El *gráfico 4* indica la evolución 2007-2012 del presupuesto público total y, también, de los presupuestos estatal, autonómico y de entidades locales en donde se comprueba como la reducción del gasto ha sido prácticamente inexistente en las administraciones periféricas.
 - d) El *gráfico 5* nos señala la evolución 2007-2012 de la distribución del gasto público en la administración general del Estado (AGE) en donde se observa como aumentan las emisiones de Deuda del Estado, debido a que no se realizaron reducciones de gasto público que acompañasen la reducción de los ingresos tributarios por la menor actividad económica derivada de la crisis económica y financiera. Se partió de una situación presupuestaria de superávit en el año 2005 hasta una situación de desequilibrio entre ingresos y gastos por incidir los Gobiernos socialistas del ex Presidente José Luis Rodríguez Zapatero en subir los presupuestos de las políticas de gasto «social», especialmente, en las pensiones y en las prestaciones de la seguridad social.
 - e) El *gráfico 6* muestra la distribución del gasto 2007-2012 de las Administración General del Estado en millones de Euros en donde se puede observar el fuerte aumento del gasto «social» (pensiones y prestaciones sociales por desempleo) y el recurso a las emisiones de deuda pública en vez de afrontarse el problema con reformas que reduzcan el gasto «social», como mínimo, hasta los niveles previos del año 2001; cuando España empezó a utilizar el Euro y quedó bajo la influencia de la política expansiva del BCE que facilitaba las políticas de exceso en los gastos «sociales».
 - f) El *gráfico 7* señala la distribución del gasto dentro de la Administración General del Estado (AGE), tanto en importes como en porcentajes, correspondiente a los Presupuestos Generales del Estado (PGE) del año 2012. Hay que señalar el 48,4% de gasto «social», el 13,9% de emisiones de deuda pública y el 25,2% que, mayoritariamente, se dedica a pago de intereses de deuda y a transferencias para cuadrar las cuentas de las

administraciones periféricas. También hay que indicar que se trata de cifras del PGE 2012 no consolidado por lo que, si existen desviaciones presupuestarias, como en los ejercicios 2010 y 2011, podrían aumentar los importes de las políticas de gasto «social», autonómico y de endeudamiento.

- g) Finalmente, el *gráfico 8* indica la distribución del gasto público total del Estado (central, regional y local) tanto en importes como en porcentajes. Hay que destacar que, con la cifra de PIB que muestra Eurostat por importe de 1.054.399 millones de € para España en el año 2012, *el gasto público total alcanza los 551.373 millones de €, lo que supone un 52,3% del PIB de España.*

Como consecuencia del análisis de la evolución durante el periodo 2007 a 2012 del sector público de España, se pueden extraer diversas conclusiones:

- 1) *El gasto público total ha alcanzado el 52,3% del PIB en el año 2012 distribuido en: un 36,1% del estado central, un 15,6% del estado autonómico y un 6% de las entidades locales.*
- 2) *Los gobiernos han intentado evitar el desgaste electoral que supone realizar un fuerte ajuste presupuestario sólo por la vía de la reducción del gasto público que era necesario para contrarrestar el estallido de la burbuja financiera e inmobiliaria y la drástica reducción de la recaudación tributaria. Este hecho constituye un error teórico grave, porque no se aborda una reforma estructural que permita devolver el gasto público a un nivel de equilibrio presupuestario como, por ejemplo, en el año 2001, previo a la expansión exponencial del gasto público como consecuencia de la burbuja crediticia del BCE.*
- 3) *El gasto «social» dedicado a pensiones y a prestaciones sociales representa junto con el volumen de emisiones de deuda hasta un 62% del presupuesto de la AGE del año 2012. Son las partidas presupuestarias que requieren reformas estructurales que permitan otorgar equilibrio a las cuentas públicas sin necesidad de aumentar los impuestos por las razones que se explican en el apartado tercero.*

- 4) El *gasto público de las entidades locales* representa el 6% del PIB de España en el año 2012. La disminución del número de municipios permitiría reducir el gasto público total.
- 5) El *gasto público de las autonomías* ha aumentado y representa el 15,6% del PIB de España en el año 2012. Un gasto autonómico limitado, minimizado o eliminado, permitiría que el gasto total de las administraciones públicas de España fuese más reducido y hubiese un margen mayor de libertad para el ejercicio de la función empresarial.
- 6) Sin embargo, el *gasto en los servicios públicos esenciales* que gestionan las relaciones internacionales (diplomacia) y garantizan la seguridad exterior (ejércitos), interior (fuerzas de seguridad policial e instituciones penitenciarias) y jurídica (jueces y tribunales), representan tan sólo el 4,4% del gasto de la administración central, el 2,9% del gasto público total o, si se prefiere, el 1,6% del PIB de España en el año 2012.

4. Aumento del gasto por la organización territorial en Autonomías

El Gobierno de España alcanzó acuerdos de estabilización presupuestaria 2013-2015 con las Comunidades Autónomas (CC.AA.) en el Consejo de Política Fiscal y Financiera y sus planes económico-financieros mostraban sobre el papel un ahorro de 18.349 millones de euros para cerrar el ejercicio 2012 con un 1,5 % de déficit.

Sin embargo, el Gobierno tuvo que dotar un Fondo de 18.000 millones de Euros para afrontar los incumplimientos presupuestarios de las regiones y, de hecho, muchas Comunidades Autónomas han solicitado su rescate financiero como, entre otras, Andalucía, Cataluña, Murcia, Comunidad Valenciana o Castilla la Mancha. Este hecho nos demuestra que el ajuste presupuestario no se está produciendo allí donde más ha crecido el gasto público en los últimos 10 años.

Por su importancia para el análisis del gasto público, se incluyen en el *cuadro 3* los presupuestos consolidados de las CC.AA. durante el año 2011. Sus datos permiten constatar como, en conjunto,

el 85% del gasto «autonómico» se dedica a pagar a los funcionarios, a la sanidad y a la educación, lo que se visualiza para las diferentes regiones en el *gráfico 9* y para el conjunto del gasto «autonómico» en el *gráfico 10*:

- 1) Por un lado, se destaca que la *sanidad pública* de la AGE sumaba 26.751,06 millones de Euros en los PGE 2001 y, después de ser transferidas las competencias a las CC.AA., el gasto de sanidad se ha incrementado exponencialmente hasta alcanzar los 56.803 millones de Euros en el año 2011 lo que significa que *se ha multiplicado por 2,12 en sólo 10 años* y, además, habría que añadir el gasto de sanidad que soporta la AGE por 4.254,49 millones de Euros en los PGE 2011.
- 2) Por otro lado, hay que señalar que la *educación pública* de la AGE sumaba en los PGE 2000 un importe total de 6.001 millones de Euros y, después de ser transferidas las competencias a las CC.AA., el gasto de educación se ha incrementado hasta alcanzar los 38.389 millones de Euros en el año 2011 lo que significa que *se ha multiplicado por 6,4 en sólo 11 años* y, todavía, quedaría por sumar el gasto en educación de la AGE por 2.840,58 millones de Euros en los PGE 2011.
- 3) La Comunidades Autónomas también han incrementado exponencialmente el *número de empleados públicos* en España. En el año 1975 en la Administración General del Estado (AGE) tenía entorno a los 675.000 empleados públicos y en el año 2012 hay menos de 590.000 personas lo que es significativo puesto que la AGE incluye a los ejércitos, la policía nacional, la guardia civil y el personal de los Ministerios. Sin embargo, el aumento ha sido exponencial de los empleados públicos en las administraciones periféricas (comunidades autónomas, entidades locales y entramado público empresarial) lo que ha disparado el conjunto de los empleados públicos (incluida la AGE) hasta quedar por encima de las 3.250.000 personas en el año 2011.
- 4) Hay que añadir que las Comunidades Autónomas se han organizado con *miles de organismos y empresas públicas* que sumaban 2.338 y que si se añadían a las 5.460 de los entes locales y las 1.096 de la Administración General del Estado sumaban 8.894 organismos públicos en el año 2011.

- 5) Este entramado público empresarial dificulta la transparencia presupuestaria de las administraciones periféricas e impide el control pleno de las cuentas públicas de las CC.AA. y de los entes locales por parte de la Intervención General de la Administración del Estado (IGAE).

El *gráfico 11* visualiza el porcentaje de gasto público autonómico o, si se prefiere, la proporción de intervención de la Comunidad Autónoma, respecto del PIB de la región en el año 2011, y sin contar con el gasto público de la AGE y de las entidades locales que añaden porcentajes de intervención pública aún mayores.

5. Necesidad de reducción del tamaño del Estado (central, autonómico y local)

Dado que el crecimiento económico requiere el cumplimiento de las premisas explicadas en el apartado primero, la recuperación de la crisis en España requiere que su gasto público sea equivalente al de las economías más dinámicas a nivel mundial.

Si se quiere retomar el impulso de la función empresarial y de la eficiencia dinámica en España, *se necesitan reformas estructurales para «pinchar» la burbuja estatal para recuperar los niveles de gasto público del año 2001, lo que requiere reducir el gasto público total del orden de 150.000 a 200.000 millones de Euros.*

Esto último significa afrontar un *ajuste fiscal de tamaño equivalente al gasto público total de las Comunidades Autónomas*, situado entorno al 15% del PIB de España.

La evolución de las políticas de gastos de la AGE puede observarse en los cuadros 1 y 2 y en los gráficos 1 a 7. Y el nivel de intervención de cada una de las administraciones públicas se visualiza en el *gráfico 8*, donde debe tenerse en cuenta que el gasto de la AGE incluye partidas importantes como, entre otros, el pago de los intereses de deuda, las nuevas emisiones de deuda pública, las transferencias a otras administraciones, las pensiones y las prestaciones por desempleo.

Como resumen, se ha incluido el *gráfico 12* que muestra la evolución del *tamaño del Estado (central, autonómico y local)* en los

últimos años y que alcanza el 47,5% del PIB en el año 2012, considerando los capítulos I a VIII de los presupuestos de todas las administraciones públicas.

Si se añaden las emisiones de nueva deuda pública que se requieren para poder compensar la disminución en los ingresos tributarios, podemos observar como *el presupuesto público total alcanza el 52,3% en el año 2012* y, si se incurriese en desviaciones de déficit, podría ser todavía mayor porque se requeriría emitir más deuda para sufragar los excesos presupuestarios o bien solicitar un nuevo préstamo o un rescate financiero internacional.

Los cuadros y los gráficos que resumen la evolución del gasto público en España revelan un *problema de carácter estructural*, y no una problemática meramente coyuntural que se vaya a resolver con préstamos internacionales, que pospongan el problema del ajuste del gasto público o que, erróneamente, busquen ganar tiempo para que sea la coyuntura internacional la que, supuestamente, ayude a arreglar un problema eminentemente estructural de la economía española.

En todo caso, el *sector público* en España tiene un problema financiero muy serio porque, a partir de un *volumen de deuda pública* superior al 90% del PIB del país, el Estado tendrá que pagar intereses crecientes por la deuda pública emitida. Esto supone que, principalmente, se dejarán de financiar inversiones para sufragar el gasto «social» y el gasto autonómico, por no haberse realizado las reformas estructurales y los recortes presupuestarios que podrían mejorar las cuentas públicas y, por dicho motivo, tener que aumentar los impuestos y entrar en la dinámica de la «espiral de la muerte» que se comenta al finalizar el siguiente apartado.

Como analizaremos a continuación, los ajustes fiscales por medio de subidas de impuestos como se ha realizado en España durante el año 2012, en vez de por medio de sólo reducciones en el gasto público, son perjudiciales para el crecimiento económico, porque disminuyen las posibilidades de ahorro privado previo de las familias y empresarios o, si se prefiere, merman la acumulación de capital que se precisa *ex ante* para poder acometer las inversiones privadas que requiere el ejercicio de la función empresarial y la eficiencia dinámica en economía.

III

LA ESTRUCTURA PRODUCTIVA DEL CAPITAL Y EL ERROR ECONÓMICO DE LAS SUBIDAS DE IMPUESTOS

España necesita un cambio cultural para salir de la crisis del Estado del bienestar y retomar la senda del crecimiento, lo que requiere que arraiguen los conceptos económicos acertados entre la población en general y, especialmente, entre las autoridades para que aprecien y busquen de un modo consistente (y no coactivo) las bases institucionales que liberan el funcionamiento real del mercado, entendido como el proceso empresarial de creatividad y coordinación dinámicamente eficiente³⁶ que, en general, es perjudicado por los desequilibrios presupuestarios (déficit y endeudamiento públicos) y, específicamente, por las subidas de impuestos.

1. Aumento de la presión fiscal en España

El Gobierno de España explica en el proyecto de los Presupuestos General del Estado para el 2013³⁷ las estimaciones de recaudación por la subida de impuestos³⁸ y entiende que se ingresarán 16.800 millones € adicionales en el año 2012 y 24.300 millones adicionales en el año 2013:

³⁶ (Huerta de Soto, 2012, p. 68). Tal y como indica acertadamente el profesor Huerta de Soto en el trabajo publicado en el número de marzo-abril 2012 de la revista ICE: «... el criterio de eficiencia dinámica está indisolublemente unido al concepto de función empresarial...su elaboración nunca puede efectuarse en un vacío institucional o, dicho de otra manera, que el análisis teórico de la eficiencia dinámica es inseparable del estudio del marco institucional en el que se llevan a cabo los comportamientos empresariales».

³⁷ (Libro Amarillo de los PGE, 2013, pp. 136-137. pp. 149-155)

³⁸ El Real Decreto-ley 20/2012, de 13 de julio, que contempla un ajuste de 65.000 millones de euros repartido en el periodo 2012-2014 y que actúa en dos direcciones: por la vía de la reducción del gasto público, en 15.000 millones € (y, en su mayoría, en la Administración General del Estado, y erróneamente por la vía de las subidas de impuestos. Por los datos que publica la IGAE, como era de esperar en una situación de recesión económica, el aumento de impuestos para contrarrestar la bajada de la recaudación tributaria está perjudicando a la actividad económica y reduce aún más

1. El IRPF (*Impuesto sobre la Renta de las Personas Físicas*) ha sido aumentado por el Gobierno de modo que el tipo máximo alcanza el 52% de los ingresos de los ciudadanos como personas físicas en el año 2012 y, por ejemplo, añadiendo el tramo autonómico alcanza el 56% en Cataluña que es el cuarto más alto del mundo. El Gobierno evalúa ingresos adicionales por 4.000 millones € en el año 2012 y por 6.600 millones € en el año 2013.
2. El IVA (*Impuesto sobre el Valor Añadido*) ha subido su tipo general desde el 16% hasta el 18% y su tipo reducido desde el 8% al 10%, aplicables partir del 1 de septiembre de 2012. El Gobierno estima que los cambios impositivos en el IVA elevan la recaudación adicional en 2.300 millones € en el año 2012 y en 10.100 millones € en el año 2013.
3. El IS (*Impuesto de Sociedades*) ha visto aumentada su base imponible con tasa del 34,7% en los tipos que aplican las PYMES y del 43% que aplican las empresas grandes y con supresión de la libertad de amortización de elementos nuevos en el activo material fijo adquiridos con posterioridad al 31/03/2012. El Gobierno entiende en el proyecto de los PGE 2013 que debido a la «adversa coyuntura económica» y a la «caída en la deducción por reinversión de los beneficios extraordinarios» caerá la recaudación tributaria por IS. Sin embargo, como quiera que se haya realizado el cálculo de ingresos, los PGE 2013 estiman que, también, aumenten los ingresos en 8.500 millones € en el año 2012 y en 6.000 millones € en el año 2013.
4. Los II.EE. (*Impuestos Especiales*), sobre el tabaco y los hidrocarburos, también se han aumentado. Se ha creado un gravamen del 20% sobre los premios de loterías y apuestas. De los datos anteriores, a pesar del descenso de la actividad económica y siendo bienes de demanda rígida, se puede calcular que su recaudación se estima aumentará en unos 2.000 millones € en el año 2012 y en 1.600 millones € en el año 2013.

la recaudación tributaria (curva de Laffer). Si finalmente baja la recaudación o se producen nuevas desviaciones presupuestarias, no se cumplirá el objetivo de déficit público del 6,3% PIB (que, inicialmente, era del 4,4% PIB) comprometido por España para el año 2012 con la Comisión Europea.

Durante el año 2012, el Gobierno realizó hasta 27 subidas de impuestos diferentes y, sin embargo, el propio Gobierno muestra, por medio de los datos que publica la IGAE, que las subidas de impuestos realizadas en el año 2012 no están siendo lo suficientemente efectivas para ayudar en el ajuste del gasto público. Al contrario, como veremos a continuación, todo parece indicar que las subidas de impuestos están perjudicando la actividad económica de las familias³⁹ y de las empresas.⁴⁰

2. Necesidad de ajuste fiscal con reducción de gasto y sin subidas de impuestos

Las evidencias empíricas, sobre bases de datos desde los años 70 hasta la fecha de los países que pertenecen a la OCDE (Organización para la Cooperación y el Desarrollo Económicos), indican que las consolidaciones fiscales con reducciones del gasto público y sin subidas de impuestos tienen una *probabilidad mayor*⁴¹ de conseguir la recuperación del crecimiento económico.

³⁹ Según el informe del año 2012 realizado por el think tank *Civismo*, cada español necesita 124 días de su salario, de los 365 días que tiene un año, para pagar los impuestos del Estado. Se puede obtener más información en: <http://www.civismo.org/publicaciones/informes/liberacion-fiscal/>

⁴⁰ Los resultados durante el año 2012 de las grandes empresas y bancos españoles que cotizan en bolsa han caído al nivel del año 2002. Los beneficios de las compañías que componen el Ibex 35 se han contraído un 62,4%. Las PYMES han tenido que ajustar gastos, realizar expedientes de regulación de empleo, despedir trabajadores, recurrir al concurso de acreedores e, incluso, liquidar el negocio y cerrar. Los datos muestran que el sector privado se está adaptando y, por tanto, las burbujas financiera y productiva se están «pinchando». Sin embargo, el crecimiento económico requiere «pinchar» también la burbuja estatal eliminándose gastos superfluos y ociosos, retirando el entramado público empresarial y realizando reformas que impulsen la función empresarial.

⁴¹ Alesina, A. & Ardagna, S. (2009). El estudio señala en su resumen que (traducción propia): «Los estímulos fiscales basados en reducciones de impuestos tienen una probabilidad mayor de aumentar el crecimiento que los basados en aumentos del gasto. En cuanto a los ajustes fiscales basados en recortes de gastos y sin aumentos de impuestos tienen una mayor probabilidad [86,22%] de reducir el déficit y la deuda en relación con el PIB que los basados en los aumentos de impuestos. Además, los ajustes por el lado del gasto, en lugar de por el lado de los impuestos, son menos propensos a crear recesiones».

Tanto el *Banco Central Europeo* (BCE)⁴² como la *Universidad de Harvard*⁴³ han publicado estudios que ponen de manifiesto los mayores beneficios para el crecimiento económico de los ajustes fiscales basados en reducciones del gasto público y sin aumentos de impuestos. Sus datos son concluyentes y deberían ayudar a implementar políticas presupuestarias de ajuste fiscal por medio solamente de la reducción del gasto público en España y con la ayuda de reformas estructurales de desregulación y liberalización de la economía.

Sin embargo, también es importante analizar la base teórica que explica la importancia de no recurrir a las subidas de impuestos. Por ello, vamos a explicar como la teoría austriaca sobre la estructura productiva del capital permite analizar el deterioro de la función empresarial que ocasionan las subidas de impuestos porque disminuyen la acumulación previa de capital privado que se precisa tanto para el consumo como para la inversión en bienes de órdenes superiores que son los que caracterizan las economías más desarrolladas.

⁴² European Central Bank, «The Benefits of fiscal consolidation in uncharted water», *Paper* N.º 121, November 2010, page 29. Estudio dirigido por el doctor Jürgen Stark que indicaba (traducción propia): «Primero, hay necesidad de reducir sustancialmente el gasto público por sus efectos nocivos sobre el crecimiento a largo plazo y la confianza. Pero, incluso en el corto plazo, los beneficios de la consolidación (fiscal) es probable que superen sus costes en un entorno de fuertes vínculos fiscal-financieros no lineales. La consolidación es necesaria para sustentar la confianza (de los inversores) en la solvencia del ejercicio fiscal, a nivel de país y evitar las externalidades negativas internacionales... La aplicación de los recortes, considerables y bien orientados, en el gasto (público) en la fase inicial de consolidación producirá una confianza adicional, ya que demuestran la voluntad política de los gobiernos. A medio plazo las reformas fiscales estructurales necesitan hacer frente a cargas futuras ya identificadas, especialmente en las áreas de sistemas de pensiones y de salud».

⁴³ Alesina, A. & Ardagna, S. (2012): «The design of fiscal adjustments», national Bureau of Economic Research, September 2012. En línea con sus trabajos de investigación anteriores, los profesores Alberto Alesina y Silvia Ardagna confirman que los ajustes fiscales basados en la reducción del gasto público tienen una mayor efectividad y, por tanto, una menor probabilidad de fracaso en la recuperación del crecimiento de la economía de un país. También muestran que los ajustes fiscales basados mayoritariamente en las reducciones de gasto público crean menores recesiones que los ajustes fiscales basados en impuestos.

3. Errores teóricos de Keynes y sus seguidores

El hecho de tomar decisiones de política económica sin tener en cuenta sus efectos microeconómicos sobre la estructura productiva del capital, es el principal error de los seguidores de John Maynard Keynes y, por tanto, de gran parte de las políticas intervencionistas de muchos Gobiernos durante los últimos años.

Los autores neokeynesianos se olvidan del largo plazo y buscan exclusivamente el empleo de los recursos económicos en el corto plazo, por lo que no se plantean las distorsiones que los estímulos públicos de la demanda «agregada» provocan en la estructura productiva del capital, al incitar a que los Gobiernos incrementen el gasto público, con las subidas de impuestos, con el endeudamiento que pagan los contribuyentes con los impuestos futuros o, si hay posibilidad, con la política monetaria expansiva de los bancos centrales que pagan los ciudadanos con las subidas de precios y la merma del poder adquisitivo de las familias, en lo que se conoce como el «impuesto inflacionario».

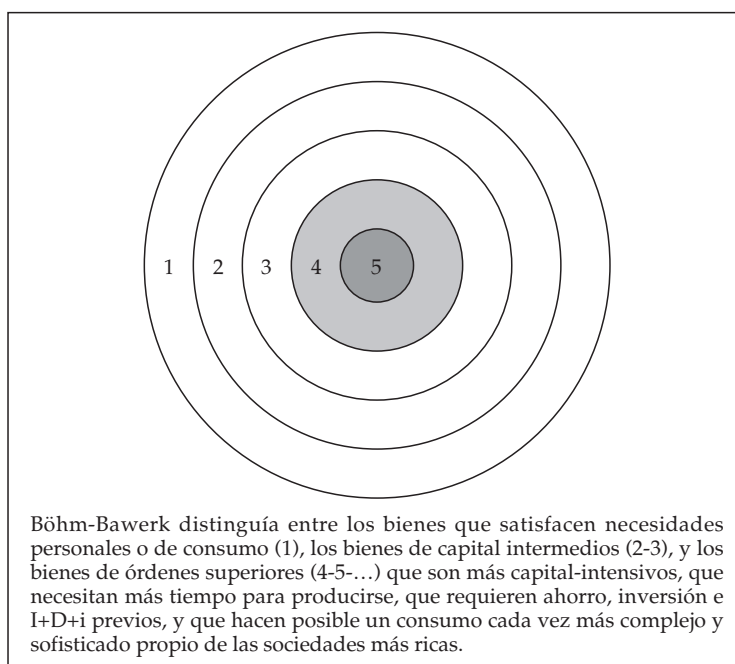
Los autores neokeynesianos carecen de base microeconómica porque no tienen en cuenta las enseñanzas de Carl Menger y de Eugen Böhm-Bawerk y, por ello, recomiendan a los políticos una visión pesimista tanto del ahorro privado como de la empresarialidad, lo que supone un error teórico grave, dado que son los motores de las economías de mercado.

4. Estructura productiva del capital

Eugen Böhm-Bawerk (1851-1914) profundizó en las ideas microeconómicas previas de Menger y en su obra *Teoría Positiva del Capital* (1889) introdujo el *gráfico de los círculos concéntricos*⁴⁴ que facilita que los economistas incorporen la variable tiempo y visualicen con facilidad la estructura del capital en economía. En la *Figura 1*, se pueden observar los bienes que satisfacen las

⁴⁴ (Böhm-Bawerk, 1930 [1889], p. 148).

FIGURA 1
GRÁFICO DE CÍRCULOS CONCÉNTRICOS.
ESTRUCTURA PRODUCTIVA DEL CAPITAL



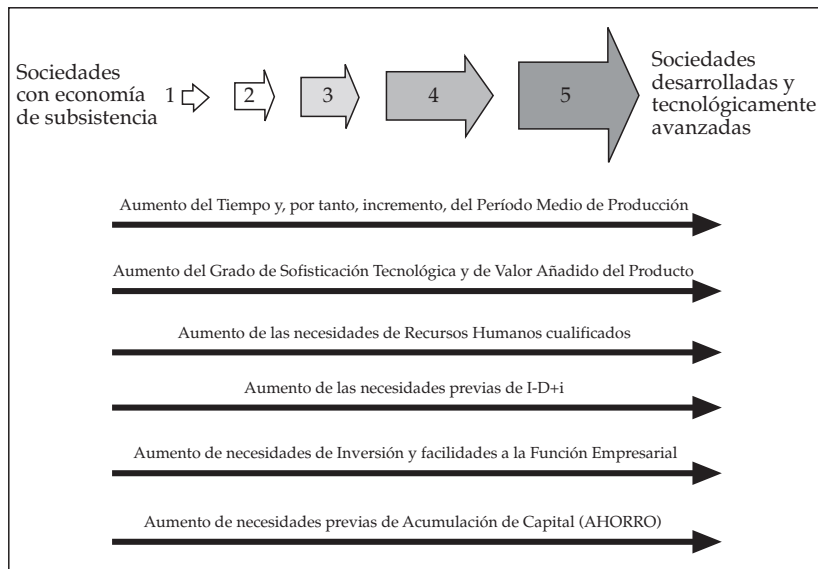
necesidades personales (posición 1 o bienes de consumo), pasando después a los bienes de capital intermedios (posiciones 2-3) y hasta llegar temporalmente a los bienes de órdenes superiores (posiciones 4-5 y posteriores), que son más capital-intensivos, necesitan más tiempo para producirse y requieren de ahorro e I+D+i previos para que se produzca la inversión del empresario, y que hacen posible un consumo cada vez más complejo y sofisticado propio de las sociedades más ricas.

Los círculos interiores se ensanchan y los círculos exteriores se contraen a medida que las economías de los países se van desarrollando, porque se produce un aumento de la producción de bienes que incorporan más capital y más innovación. Ambos factores son imprescindibles para lograr un crecimiento económico sano en las economías desarrolladas.

El autor del presente estudio, con el objetivo de mejorar el análisis del proceso de producción de una economía de mercado, propone el uso de un nuevo gráfico que propone se denomine *gráfico de fechas en aumento temporal* y que se presenta en la *Figura 2*. Las etapas de producción, sucesivas y alejadas en el tiempo se representan también con las posiciones 1 (bienes de consumo), 2-3 (bienes de capital intermedios) y 4-5 (bienes de órdenes superiores) pero utilizando flechas sucesivas en el tiempo en vez de círculos concéntricos.

Las flechas finales se ensanchan (y alargan) y las flechas iniciales se contraen (y acortan) a medida que las economías de los países se van desarrollando, porque generan un aumento de la producción de bienes con mayor valor añadido: que requieren mayor ahorro privado previo, incorporan más capital (anchura) y necesitan una función empresarial con más sofisticación, I+D+i y tiempo de producción (longitud).

FIGURA 2
GRÁFICO DE FLECHAS EN AUMENTO TEMPORAL.
ESTRUCTURA PRODUCTIVA DEL CAPITAL



Estos son *factores económicos imprescindibles* para que la economía de un país desarrollado sea impulsada por la empresariedad de sus ciudadanos, lo que requiere ayudar a la inversión privada, basada en el ahorro previo, para que se produzcan iniciativas empresariales que oferten nuevos productos y servicios de alto valor añadido mediante un *marco institucional*⁴⁵ con: 1) eliminación de barreras comerciales, 2) desregulación de mercados intervenidos por el Estado, 3) baja presión fiscal para ayudar a la acumulación del capital, 4) facilidades para la creación y gestión de empresas, y 5) facilidades para la investigación, el desarrollo y la innovación.

El autor del estudio entiende que el *gráfico de fechas en aumento temporal* visualiza mejor la variable tiempo y la necesidad creciente de ahorro privado y de I+D+i, cuanto más alejada vaya a producirse la inversión del capital; lo que se precisa para evolucionar institucionalmente desde las economías de subsistencia, hacia la producción de bienes y servicios cada vez más sofisticados, que es propia de las sociedades desarrolladas y tecnológicamente avanzadas.

De ahí el grave error que comenten los economistas keynesianos con las políticas macroeconómicas de impulso de la demanda agregada en el corto plazo porque no tienen en cuenta la importancia de la microeconomía y, especialmente, se equivocan al pasar por alto la necesidad de que se produzca el ahorro privado previo que se requiere para que se produzca una inversión económicamente eficiente en la producción de los bienes capital-intensivos.

⁴⁵ El marco institucional es la clave que permite un mejor (o peor) ejercicio de la función empresarial. El requisito previo para que se produzca riqueza en un territorio es la existencia de un marco institucional sólido y estable que garantice la «triple seguridad» (exterior, interior y jurídica) que proporciona los incentivos para el ejercicio de la acción humana en libertad. Sin embargo, posteriormente, el desarrollo de sociedades cada vez más sofisticadas requiere la implementación de mejoras institucionales «escalonadas» que ayuden al ejercicio de la función empresarial y de la eficiencia dinámica en economía como, por ejemplo, una organización territorial sencilla y eficaz, un sistema judicial independiente de los poderes ejecutivo y legislativo o, también, un Código Penal que sea exigente y efectivo en el castigo de los delitos para que impere la Ley frente a la corrupción, la prevaricación, la malversación de fondos públicos o el tráfico de influencias que caracterizan las derivas políticas más utópicas y colectivistas.

5. Errores en los ajustes fiscales

Desde el punto de vista del análisis microeconómico de la estructura productiva de un país desarrollado, se pueden extraer dos conclusiones importantes:

- a) En primer lugar, *si un Gobierno reduce, desincentiva o elimina las inversiones en investigación, desarrollo e innovación*, está cometiendo un error teórico grave e hipotecando el crecimiento futuro del país porque se elimina la posibilidad de que los empresarios impulsen inversiones capital-intensivas para la producción de los bienes de órdenes superiores, que son los que permiten aumentar el consumo y las exportaciones y, por tanto, impulsan el crecimiento económico en los países más desarrollados. Según este razonamiento microeconómico, un ajuste fiscal del gasto público debería recortar en todas las políticas de gasto y, sin embargo, sólo en último término y cuando fuese estrictamente imprescindible, entrar a recortar en las políticas de I+D+i. Si bien, lo anterior, no quita para que se establezcan prioridades, se racionalicen y optimicen programas y se logren rendimientos crecientes en el gasto de I+D+i, lo que se gestiona de un modo más eficiente desde el sector privado.
- b) En segundo lugar, *si un Gobierno elimina o bien penaliza el ahorro con impuestos (o con legislación) sobre las personas físicas y jurídicas*, está cometiendo un nuevo error grave porque se disminuye la acumulación previa de capital, que es lo que permite que se realicen las inversiones en la etapas más alejadas en la estructura de producción del capital y, por tanto, se imposibilita la realización de la función empresarial en los productos y servicios de alto valor añadido (más capital-intensivos), sin los cuales el crecimiento económico es imposible en las economías desarrolladas. Por tanto, según este último razonamiento microeconómico sobre la estructura productiva del capital, un ajuste fiscal del gasto público debería realizarse solamente con recortes de las partidas presupuestarias de todas las administraciones públicas (centrales, regionales, provinciales y locales) y, en último término, y sólo después de haber agotado todas

las posibilidades ejecutivas y legislativas, recurrir a subidas de impuestos.

De hecho, realizar un ajuste fiscal subiendo los impuestos⁴⁶ en la etapa recesiva de un ciclo económico es un error grave porque, el efecto que se produce es justo el contrario al buscado, se disminuye la recaudación tributaria y se imposibilita el sostenimiento de las cuentas públicas lo que lleva a la quiebra del Estado, salvo un rescate internacional vía BCE y/o FMI.

6. Reducción del gasto público, única vía para evitar la recesión económica

Una política de financiación del gasto público por medio de subidas crecientes y constantes de los impuestos se puede denominar la «espiral de la muerte», porque conduce al estancamiento de la función empresarial y de la eficiencia dinámica y, por tanto, conduce hacia la contracción económica y, a largo plazo, hacia la *default* del Estado, salvo que se evite por un rescate o préstamo internacional de última instancia.

Con las subidas de impuestos se reducen el ahorro privado previo, y se disminuyen las inversiones productivas que son más intensivas en capital y están más alejadas en el tiempo. Es decir, las subidas de impuestos disminuyen la producción de los bienes de órdenes superiores que caracterizan el crecimiento económico de las sociedades desarrolladas y tecnológicamente más avanzadas.

Este razonamiento microeconómico explica porque la reducción del gasto público es la única vía que puede evitar la recesión

⁴⁶ (Mises, 2009, pp. 741-742). Mises definía tres clases de tributación que establece el Estado para la regulación de la economía y, por tanto, que sirven como instrumentos de una política intervencionista: «1) The tax aims at totally suppressing or at restricting the production of definite commodities...2) The tax expropriates a part of income or wealth... 3) The tax expropriates income and wealth entirely». De hecho, el profesor Ludwig von Mises advertía no sólo contra el totalitarismo del socialismo «real» y del «fascismo» económico, sino también contra la amenaza del socialismo de mercado que merma el crecimiento económico y, también, conduce a la imposibilidad de cálculo económico a largo plazo.

económica. De hecho, si los gobiernos se lo propusiesen existe amplio margen para la eliminación de subvenciones y partidas presupuestarias «ociosas», la eliminación de entidades, empresas y fundaciones públicas, la reducción del gasto del Estado (especialmente en autonomías y entidades locales donde no parecen llegar los recortes drásticos en el gasto) y, la implementación de reformas estructurales que aumenten la competitividad internacional.

Las subidas de impuestos podrán cuadrar las cuentas públicas a nivel macroeconómico para que el déficit público cumpla con el 6,3% del PIB acordado por España con la Comisión Europea para el año 2012. Pero, sin embargo, el aumento en la presión fiscal destroza el crecimiento económico a corto, medio y largo plazo al socavar el ahorro privado previo que es necesario para el consumo de la población y para las inversiones de los emprendedores, especialmente, en los bienes de órdenes superiores que suelen exportar las economías avanzadas.

IV CONCLUSIONES FINALES

El estudio del Instituto de Estudios Fiscales (IEF), citado en el apartado segundo, indicaba sobre el tamaño de las administraciones públicas que: «la dimensión del sector público no se puede identificar con un mayor o menor progreso económico y social, como lo prueba el hecho de que existe una amplia tipología de sector público en los países desarrollados, con un rango que va desde el 35-40% del PIB de Australia, Estados Unidos, Japón, Canadá o Nueva Zelanda, hasta más del 50% del PIB en Suecia, Francia o Dinamarca.»

Sin embargo, tal afirmación se realizaba en un informe que servía como respaldo de los Presupuestos Generales del Estado del año 2007 y, por tanto, argumentaba sólo a favor de una política económica socialista que desconfiaba del ejercicio de la función empresarial en mercados libres de intervenciones estatales y, por el contrario, confiaba en el incremento del tamaño del Estado en España.

De hecho, el estudio del IEF no tenía en cuenta la burbuja financiera e inmobiliaria que permitía presupuestos públicos tan elevados. No se consideraba importante la disminución, década tras década, de la tasa de crecimiento del PIB de los países europeos frente al aumento de la riqueza en las economías emergentes citadas en la introducción de este trabajo. Tampoco se observaba el desplazamiento del grueso de la economía mundial hacia Asia. Y, finalmente, tampoco se consideraba las mayores tasas de crecimiento de las áreas económicas caracterizadas por un menor tamaño de Estado como Hong Kong, Singapur, Tailandia, Malasia o Vietnam, en donde la función empresarial y la eficiencia dinámica en economía se ejercen con un grado de libertad superior a las democracias occidentales. Cuando, precisamente, es con esas áreas económicas respecto de las cuales debe ser competitiva la economía española que, por ejemplo, ocupa la posición general 44 entre los países del mundo y, curiosamente, la posición 70 por el coste de la electricidad, la posición 100 en el nivel de protección a los inversores y la posición 136 para la apertura de un negocio, en la clasificación «Doing Business 2013» que publica anualmente el Banco Mundial.⁴⁷

1. Burbuja estatal y socialismo de mercado

La *burbuja estatal* es la principal reforma estructural que debe acometer España, porque todavía no ha sido pinchada por los sucesivos Gobiernos de España desde el año 2007, y explica la necesidad de abordar un fuerte ajuste presupuestario para retomar la senda del crecimiento económico por medio de las soluciones de mercado porque, no regresará la recaudación tributaria obtenida como consecuencia de la construcción de viviendas y de la sobrevaloración de los inmuebles. De hecho, la recaudación tributaria fue mayor en 175.000 millones de Euros en el año 2007 respecto del 2001, y era una situación circunstancial que finalizó al estallar las burbujas financiera y productiva.

⁴⁷ Se puede obtener información del método de cálculo en: <http://www.doing-business.org>. La información específica sobre la clasificación de España en los diferentes conceptos se encuentra en las «country tables».

Los datos del presente estudio muestran que *es preciso reducir el tamaño del Estado para volver a tener crecimiento económico*. Los cuadros y gráficos nos han permitido observar una evolución del presupuesto público total (capítulos I a IX) en España desde el año 1975, cuando significaba menos del 25% del PIB, hasta situarse por encima del 50% del PIB en el periodo 2007 a 2012.

Se han permitido la expansión y el solapamiento de múltiples administraciones públicas, el aumento exponencial del gasto «social» en pensiones y la duplicación del endeudamiento, junto con previsiones económicas excesivamente optimistas, que desoían los informes internacionales. La prima de riesgo de la deuda española se ha situado por encima de los 200 puntos básicos, debido a la incertidumbre creciente —y, como observamos, razonable— sobre el desequilibrio del gasto público en España.

El estudio permite concluir que los 17 millones de personas de población activa en España de un total de 47 millones de personas y, especialmente, el nivel actual de los ingresos tributarios, no pueden sostener los gastos «sociales» y «autonómicos» porque suponen *un tamaño del Estado muy grande: entre el 45% del PIB que se obtiene con los datos de la IGAE (gráfico 14) y el 47,5% del PIB con datos de la Secretaria de Estado de Presupuestos (gráfico 12)*.

En cualquier caso, ambos cálculos se corresponden con *un presupuesto público total que representa de modo directo más del 50% del PIB de España en el año 2012, lo que puede afirmarse que identifica, sin ningún género de dudas, un régimen político económico de socialismo de mercado, en donde la presión tributaria, la redistribución de la riqueza y el intervencionismo impiden la función empresarial y la eficiencia dinámica en economía*.

Se pueden hacer dos anotaciones finales sobre el estudio:

- a) En primer lugar, el estudio muestra los cuadros 1, 2 y 3 del periodo 2007-2012 y los gráficos 1 a 12, que se han realizado con los datos que publicados por la Secretaria de Estado de Presupuestos (SEP) del Ministerio de Hacienda y Administraciones Públicas (MINHAP), si bien se emplean los datos de PIB que

muestra Eurostat y no se han incluido las desviaciones presupuestarias.

- b) En segundo lugar, el estudio puede contrastarse con la serie de *datos que publica la Intervención General del Estado (IGAE)* sobre los «empleos» no-financieros (capítulos I a VIII) de todas las administraciones públicas, cuyo resumen se incluye en el *cuadro 4* y se visualiza en los *gráficos 13 y 14*. En todo caso, con esta segunda fuente de datos se obtiene un tamaño del Estado análogo al mostrado en el *gráfico 12*, si se tienen en cuenta que los *gráficos 13 y 14* podrían mostrar un gasto público total (central, autonómico y local) aún mayor, entre un 2% y un 3% del PIB adicionales, en los años con desviaciones presupuestarias sobre los objetivos de déficit público comprometidos por España con la Comisión Europea que, por ejemplo, se produjeron en los ejercicios 2010 y 2011 y, también, pueden darse en el 2012.

Como principal conclusión del estudio puede indicarse que aumentar aún más el tamaño del Estado con más impuestos o con más planes de estímulo de la demanda agregada sería un error económico muy grave, porque se perjudicaría todavía más a la estructura productiva del capital y, por tanto, al consumo y al ejercicio de la función empresarial y, en definitiva, se retrasaría la consecución de crecimiento económico. El crecimiento económico requiere equilibrio presupuestario en el sector público de España, o bien superávit para bajar los impuestos a ciudadanos y empresas, para lograr que el sector privado pueda competir a medio y largo plazo con las economías emergentes mencionadas en la introducción del estudio.

2. Plan de Austeridad Presupuestaria

Por tanto, el excesivo tamaño del Estado, que muestran los datos del estudio, señala la urgente necesidad de implementar un *Plan de Austeridad que reduzca el gasto público en España hasta los niveles previos a las burbujas financiera, productiva y estatal*, que tuvieron su mayor expansión con la política del BCE desde el año 2001:

- 1) *Recortar y eliminar partidas presupuestarias* para dotar de viabilidad a las administraciones públicas en el medio y largo plazo.
- 2) *Implementar reformas estructurales que permitan mantener presupuestos equilibrados* (o, mejor, obtener superávit para realizar reducciones de impuestos que impulsen la función empresarial).
- 3) *Facilitar el control por la Intervención General del Estado* en todo el ámbito de las administraciones públicas tanto en la administración central como, muy especialmente, en el ámbito autonómico y local y, también, en el entramado público empresarial.
- 4) *Interponer barreras institucionales* que otorguen mayor control a los ciudadanos sobre las políticas de especial relevancia para el futuro económico del país, de modo que se evite el aumento del tamaño del Estado ante las políticas intervencionistas que propugnen déficit y endeudamiento sin límites.

Las burbujas financiera, productiva y estatal tuvieron su mayor expansión con la política monetaria expansiva del BCE que comenzó en el año 2001. Así, por ejemplo, es importante resaltar que el gasto público de la AGE estaba situado en 214.991,40 millones de Euros en el año 2001 en lugar de los 362.115 millones de Euros que mostraban los PGE 2012.

El estallido de las burbujas financiera y productiva en el segundo semestre del año 2007 no es un hecho meramente coyuntural. Bien al contrario, habiéndose deshinchado parcialmente las burbujas crediticia e inmobiliaria, el crecimiento económico en España sólo se producirá deshinchando también la burbuja estatal e implementando reformas estructurales serias que flexibilicen el mercado laboral, eliminen las barreras legales y liberalicen el sector eléctrico y otros sectores económicos regulados.

Principalmente, *se requeriría reducir drásticamente el gasto público entre 150.000 y 200.000 millones de Euros, es decir, entre el 15% y el 20% del PIB, para situarlo en niveles presupuestarios cercanos al año 2001, cuando se expandieron las tres burbujas que hemos comentado en este trabajo (financiera, productiva y estatal). Si se observan atentamente los datos y gráficos, el tamaño del Estado autonómico está situado*

precisamente entorno al 15% del PIB de España y, probablemente, es una organización territorial que no pueden permitirse los españoles por su inviabilidad económica al incrementar en exceso el presupuesto público total.

Este redimensionamiento del tamaño del Estado (central, autonómico y local) en España requiere redefinir y limitar muy bien las competencias de cada administración pública. El esfuerzo político que se requiere es comparable al realizado durante la transición a la democracia y, por tanto, requiere la colaboración de las principales fuerzas políticas para implementar cambios constitucionales (Art. 166 a 169 CE) y su validación por los ciudadanos en un referéndum (Art. 92 CE).

Sin embargo, una reforma constitucional para la racionalización del tamaño del Estado, que situase el presupuesto público total en niveles entre el 30% y el 40% del PIB de España, permitiría que la función empresarial se ejerciese con mayor libertad, sin barreras comerciales y sin el grado de intervencionismo de hasta cuatro administraciones públicas actuando al mismo tiempo y, por tanto, situaría de nuevo a España al nivel de los países y áreas económicas más competitivos internacionalmente, mencionados en la introducción de este trabajo, con una apuesta decidida por las soluciones de mercado en vez de por las políticas intervencionistas.

3. Reformas económicas

Desde luego, la liberación de la economía española de su ligazón con el intervencionismo no es tarea fácil. Se requiere eliminar (o minimizar) la intervención política que incentiva el aumento del gasto «social» y dar mayor protagonismo a las soluciones de mercado para la provisión privada o mixta (público-privada) de prestaciones sociales como las pensiones, el seguro de desempleo, la sanidad o la educación por medio de empresas privadas, las asociaciones público privadas, las desgravaciones fiscales o los cheques de asistencia «social».

De hecho, una liberación económica que impulsase con fuerza la empresarialidad en España requeriría la implementación

de reformas «escalonadas»⁴⁸ en el marco institucional de España, instaurando un conjunto de artículos dentro de la Constitución Española de 1978 que pudiesen limitar la tendencia al intervencionismo de los políticos «socialistas de todos los partidos».⁴⁹

El aumento constante del gasto de las administraciones públicas que hemos analizado en este estudio es el origen y, desde luego, también la causa, de las barreras comerciales, del intervencionismo generalizado y, especialmente, de los cientos de escándalos de corrupción, que juzgan los tribunales españoles, entorno a redes clientelares y políticos que vulneran la Ley y delinquen para captar las subvenciones, ayudas, contrataciones y obras públicas de las Comunidades Autónomas.

4. Reformas institucionales

El presupuesto público total se sitúa en el 52,3% del PIB en el año 2012 para sostener un *tamaño de del Estado (central, autonómico y local) situado entre el 45,2% (gráfico 14 con datos de la IGAE) y el 47,5% (gráfico 12 con datos de la Secretaria de Estado de Presupuestos)* y, desviaciones presupuestarias aparte, los resultados señalan la necesidad de realizar *reformas institucionales, que están íntimamente relacionadas con las reformas económicas*. Es decir, se requiere un buen control institucional de los ciudadanos sobre la acción de los políticos para evitar su tendencia hacia el

⁴⁸ (Hayek: 1997, pp. 275 y ss.)

⁴⁹ (Hayek 1978). La evolución del gasto público en España permite aplicar la célebre dedicatoria del libro *Camino de Servidumbre* de Friedrich A. Hayek en donde se explica cómo se desarrolla un proceso de sometimiento al totalitarismo en la Alemania del nacional-socialismo (que también es aplicable al comunismo de la antigua URSS) y que es muy similar a los procesos sociales de «guía» de la sociedad hacia el nacional-separatismo en algunas regiones de España, allí donde se plantean desafíos a las instituciones por medio de movimientos políticos secesionistas como, por ejemplo, en Cataluña y en el País Vasco. Quizás sería importante analizar el problema de la imposibilidad de cálculo económico en el colectivismo de las Comunidades Autónomas, con un exceso de administraciones interviniendo sobre un mismo territorio, que puede catalogarse con el mismo orden al señalado por Hayek para el nacional-socialismo alemán y aplicable también al comunismo, aunque quizás más lento y con distinto grado de desarrollo temporal en el nacional-separatismo.

intervencionismo económico. Sólo con medidas de reforma institucional se logrará impulsar la eficiencia dinámica de una economía libre, lo que podría requerir introducir cambios en artículos de la Constitución Española de 1978 (CE) como, por ejemplo:

- a) *La reforma de los artículos 122 a 125 de la CE* para dotar de independencia a jueces y tribunales de justicia, dado que constituyen la institución esencial para la protección de los derechos de propiedad y el cumplimiento de los contratos. A modo de ejemplo, en democracias parlamentarias más antiguas y avanzadas como, por ejemplo, en los Estados Unidos de América, existen diversas fórmulas de elecciones de jueces⁵⁰ y fiscales por los ciudadanos que garantizan en mayor o menor medida su independencia de los políticos.
- b) *La reforma de los artículos 148, 149, 150 y 155 CE* para fijar y limitar las competencias, garantizar *the rule of Law* en las regiones y, por tanto, limitar el aumento sin control del gasto de las administraciones autonómicas.
- c) *La reforma del artículo 92 CE* para instaurar el principio de consentimiento de los ciudadanos y, por tanto, el referéndum obligatorio y vinculante para el Gobierno, cada vez que los políticos pretendan imponer subidas de impuestos (IRPF, IVA, IS, I.I.EE., tasas, gravámenes, precios fijos,...) y, especialmente, cuando quieran recurrir al déficit presupuestario y al endeudamiento de las administraciones públicas. Se establecería una barrera institucional contra el incremento del gasto público, que desincentivaría el intervencionismo en economía por el desgaste electoral que supone una errónea gestión presupuestaria, si bien hay que tener presente que el comportamiento de los electores no es siempre racional.
- d) *La reforma del Código Penal* para evitar la prescripción de los delitos, proporcionar mayor protección a las propiedades privadas y, especialmente, endurecer (duplicar) las penas a los políticos, los altos cargos y los empleados públicos cuando

⁵⁰ Información exhaustiva sobre las elecciones de jueces en los Estados Unidos en la Web: www.judgepedia.org.

gestionan con dolo o negligencia y, especialmente, cuando cometen delitos (corrupción, prevaricación, tráfico de influencias,...). Así, por ejemplo, podría contemplarse como delito en el artículo 410 la oposición de las autoridades y funcionarios al cumplimiento de las resoluciones judiciales. Y, por ejemplo, se podría reformar los artículos 581 y siguientes para castigar como delito de traición una declaración unilateral de independencia de una Comunidad Autónoma en contra de los artículos 2, 8 y 155 CE. Y, también, para castigar la aprobación de leyes o de actos administrativos cuando atenten contra la igualdad de trato ante la ley de los ciudadanos o interpongan barreras comerciales e impidan la unicidad de mercado en España en contra del artículo 14 CE.

Sin embargo, las ideas libertarias o, por el contrario, la ideología socialista e intervencionista, se imponen en un país dependiendo del *marco institucional* y, en buena medida, de la *ideología* que arraigue en la mente y, también, en el corazón de los ciudadanos y, especialmente, de los políticos.⁵¹

La duplicación de los presupuestos públicos durante la democracia, como se comprueba al analizar los gráficos 1, 8 y 12, hasta quedar situado por encima del 52,3% del PIB en el año 2012 no invita al optimismo, respecto de la realización de reformas estructurales e institucionales que impulsen el crecimiento económico en España.

En definitiva, el tamaño del Estado en las democracias parlamentarias es consecuencia de un modelo de preferencia social de la clase dirigente, ofertado y elegido por los ciudadanos por medio de los procesos electorales democráticos. La evolución sociocultural de un país es un proceso muy lento, y el arraigo de las ideas de contención del gasto público y de ejercicio de la función empresarial en mercados libres, más favorables al crecimiento económico, no siempre avanzan en el sentido más adecuado para el futuro de un país.

⁵¹ (North: 1992, pp. 477-488).

REFERENCIAS BIBLIOGRÁFICAS

- ALESINA, A. and PEROTTI, R. (1995): «Fiscal Expansions and Adjustments in OECD countries», *Economic Policy*, 21: 205-248.
- ALESINA, A. and ARDAGNA, S. (1998): «Tales of Fiscal Contractions», *Economic Policy*, 27: 487-545.
- ALESINA, A.; ARDAGNA, A.; PEROTTI, R. and SCHIANTARELLI, F. (2002): «Fiscal policy, profits, and investment», *American Economic Review*, 92: 571-589.
- ALESINA, A. and ARDAGNA, S. (2009): «Large Changes in Fiscal Policy: Taxes versus Spending», *Tax Policy and the Economy*, Editor: R. Brown, vol. 24. *NBER Macroeconomics Annual*. MIT Press.
- ALESINA, A. (2010): «Fiscal Adjustments: Lessons from Recent History», *estudio reunión ECOFIN*, Madrid, 15 de abril de 2010.
- ALESINA, A., and ARDAGNA, S. (2012): «The design of fiscal adjustments», *National Bureau of Economic Research*, September 2012.
- ARDAGNA, S. (2004): «Fiscal Stabilizations: When Do They Work and Why», *European Economic Review*, 48: 1047-1074.
- BERENGUER, E.; BONN, H. y RAFFELHÜSCHEN, B. (1998): «Generational Accounting in Spain: Has Public Sector Grown Too Much?», *Documents de Treball*, n.º 98/30, Universitat de Barcelona.
- BUIITER, W.; CORSETTI, G. y ROUBINI, N. (1993): «Excessive Deficits: Sense and Nonsense in the Treaty of Maastricht», *Economic Policy*, n.º 16, pp. 57-100.
- BLANCHARD, O. and PEROTTI, R. (2002): «An Empirical Characterization of the Dynamic Effects of Changes in Government Spending and Taxes on Output», *The Quarterly Journal of Economics*, 117: 1329-1368.
- BÖHM-BAWERK, E. (1930 [1889]): *The Positive Theory of Capital*, Edition 1930 by G.E. Stechert, New York.
- BUCHANAN, J.M. (1968): *Hacienda pública. Editorial de Derecho Financiero*, Madrid.
- COUR, P.; DUBOIS, E.; MAHFOUZ, S. and PISANY-FERRY, J. (1996): «The cost of fiscal retrenchment revisited: how strong is the evidence?», *CEPII*, Working Paper 96-16.

- DUVAL, R. (2008): «Is there a role for macroeconomic policy in fostering structural reforms? Panel evidence from OECD countries over the past two decades», *European Journal of Political Economy*, 24: 491-502.
- EICHENGREEN, B. y WYPLOSZ, C. (1998): «The Stability Pact: More Than a Minor Nuisance?», *Economic Policy*, n.º 28, pp. 65-111.
- EHEBERG, K.T. von (1944): *Principios de Hacienda Pública*. Gustavo Gili, Barcelona.
- EUROPEAN CENTRAL BANK (2010): «The benefits of fiscal consolidation in uncharted water». *Paper n.º 121*, November 2011. Brussels.
- EUROPEAN COMMISSION (2011): «European Economic Forecast - Autumn 2011». *European Economy*, n.º 6, 108-111, Brussels.
- FELDSTEIN, M. (1997): «The Political Economy of the European Economic and Monetary Union: Political Sources of an Economic Liability», Working Paper, n.º 6150, *NBER Macroeconomics Annual*, MIT Press
- FELDSTEIN, M. (1982): «Government Deficits and Aggregate Demand», *Journal of Monetary Economics*, 9: 1-20.
- FUENTES, E. y BAREA, J. (1996): «El déficit público de la democracia española», *Papeles de Economía Española*, n.º 68, pp. 86-191.
- GIAVAZZI, F., JAPPELLI, T. and PAGANO, M. (2000): «Searching for non-linear effects of fiscal policy: evidence for industrial and developing countries», *European Economic Review*, 44: 1269-1289.
- GIAVAZZI, F. and PAGANO, M. (1990): «Can Severe Fiscal Contractions Be Expansionary? Tales of Two Small European Countries», *NBER Macroeconomics Annual*, pp. 95-122, MIT Press.
- (1996): «Non-keynesian Effects of Fiscal Policy Changes: International Evidence and the Swedish Experience», *Swedish Economic Policy Review*, 3: pp. 67-103.
- GIL-RUIZ, C. and IGLESIAS, J. (2007): «El gasto público en España en un contexto descentralizado», *Presupuesto y Gasto Público* 47/2007, Secretaria General de Presupuestos y Gastos, Ministerio de Economía y Hacienda, pp. 185-206.
- GIUDICE, G., TURRINI, A. and INTVELD, J. (2007): «Non-Keynesian Fiscal Adjustments? A Close Look at Expansionary Fiscal Consolidations in the EU», *Open Economies Review*, 18: 613-630.

- GONZÁLEZ-PÁRAMO, J.M. (1997): «Presupuesto y déficit ante los retos de la Unión Económica y Monetaria», *Hacienda Pública Española*, Monografías 1997, pp.19-33.
- (1998): «Presupuestos Generales del Estado para 1999: En el umbral de la era del euro», *Cuadernos de Información Económica*, n.º 140-141, pp. 1-22.
- FONDO MONETARIO INTERNACIONAL (2011): «World Economic Outlook Database 2011», Washington.
- GARZÓN, M. (1984): Historia de la Hacienda de España. *Instituto de Estudios Fiscales*, Madrid.
- HAYEK, F.A. (1936 [1933]): *La Teoría Monetaria y el Ciclo Económico*. Espasa-Calpe, Madrid.
- (1978 [1944]): *Camino de Servidumbre*. Alianza Editorial, Madrid.
- (1997 [1988]): *La Fatal Arrogancia. Los errores del socialismo*. Unión Editorial, Madrid.
- HOGAN, V. (2004): «Expansionary fiscal contractions? Evidence from panel data», *Scandinavian Journal of Economics*, 106: 647-659.
- HUERTA DE SOTO, J. (2010 [1992]): *Socialismo, Cálculo Económico y Función Empresarial*, 4.ª ed., Unión Editorial, Madrid.
- (2011): *Dinero, Crédito Bancario y Ciclos Económicos*. Unión Editorial, Madrid.
- (2012): «La esencia de la Escuela Austriaca y su Concepto de Eficiencia Dinámica», *Nuevas Corrientes de Pensamiento Económico*, Marzo-Abril 2012, n.º 865, *Revista ICE*, Ministerio de Economía y Competitividad, Madrid.
- INSTITUTO DE ESTUDIOS ECONÓMICOS (2011): «Los Presupuestos Generales del Estado para el 2011». Madrid.
- LABORDA, A. y FERNÁNDEZ, M.J. (2011): «El difícil camino de la consolidación fiscal», *Cuadernos de Información Económica*, n.º 225, Noviembre-Diciembre.
- LEONI, B. (1991): *Freedom and the Law*. Liberty Fund, Indianapolis.
- MENGER, C. (1997 [1871]): *Principios de Economía Política*. Unión Editorial, Madrid
- MILLER, S., and RUSSEK, F. (2003): «The Relationship between large fiscal adjustments and short-term output growth under alternative fiscal policy regimes», *Contemporary Economic Policy*, 21: 41-58.

- MISES, L. von (2007 [1949]): *La Acción Humana: tratado de economía*. Unión Editorial, Madrid.
- MOUNTFORD, A. and UHLIG, H. (2009): «What Are the Effects of Fiscal Policy Shocks?», *Journal of Applied Econometrics*, 24: 960-992.
- MUSGRAVE, R.A. y MUSGRAVE, P.B. (1994 [1959]): *Hacienda Pública. Teórica y aplicada*. MacGraw-Hill, Madrid.
- NEUMARK, F. (1994 [1970]): *Principios de la imposición*. Instituto de Estudios Fiscales, Madrid.
- NORTH, D.C. (1992): «Institutions, ideology, and performance». *Cato Journal*, vol. 11, n.º 3, Winter 1992.
- (1993): *Instituciones, cambio institucional y desempeño económico*. Fondo de Cultura Económica, México.
- (1994): *Estructura y cambio en la Historia Económica*. Alianza, Madrid.
- PERDICES, L. y BAUMERT, T. (2010): *La hora de los economistas*. Ecobook, Madrid.
- PEROTTI, R. (1996): «Fiscal Consolidation in Europe: Composition Matters», *American Economic Review*, Vol. 86(2), pp. 105-110.
- (1999): «Fiscal Policy in Good Times and Bad», *The Quarterly Journal of Economics*, 114: 1399-1436.
- PEROTTI, R.; STRAUCH, R. and VON HAGEN, J. (1997): «Sustainability of Public Finances», *Discussion Papers*, n.º 1781, CEPR.
- POPPER, K.R. (2010 [1945]): *La Sociedad Abierta y sus enemigos*. Paidós, Barcelona.
- RALLO, J. (2007): «El crédito bancario a la construcción en España (1993-2007)», *Observatorio de Coyuntura Económica del Instituto Juan de Mariana*, Madrid.
- (2012): *Una Alternativa Liberal para salir de la Crisis. Más mercado y menos Estado*. Ediciones Deusto.
- RALLO, J., CALZADA, G., y MERINO, R. (2007): «El Patrón Oro y la Inflación en España 1972-2007», *Observatorio de Coyuntura Económica del Instituto Juan de Mariana*, Madrid.
- RALLO, J., MERINO, R., y BAGUS, P. (2007): *Boletín Octubre-Diciembre, Cuarto Trimestre 2007*, *Observatorio de Coyuntura Económica del Instituto Juan de Mariana*, Madrid.
- RALLO, J., MERINO, R., MARTIN, A. (2007): «Los precios la vivienda y la burbuja inmobiliaria en España (1985-2007)», *Observa-*

torio de Coyuntura Económica del Instituto Juan de Mariana, Madrid.

- RATO, R. (1993): El ajuste fiscal: un modelo explicativo del crecimiento de la economía española en la segunda mitad de los noventa, *Tesis Doctoral*, Universidad Complutense de Madrid, Madrid.
- ROMER, C. and ROMER, D. (2010): «The Macroeconomic Effects of Tax Changes: Estimates Based on a New Measure of Fiscal Shocks», *American Economic Review*, 100: 763-801.
- ROTTE, R. and ZIMMERMANN, K.F. (1998): «Fiscal Restraint and the Political Economy of EMU», *Public Choice*, vol. 94, pp. 385-406.
- RUEDA, N. (1998): «La consolidación fiscal: un proceso avanzado, pero inacabado», *Cuadernos de Información Económica*, n.º 140-141, pp. 239-244.
- SCULLY, G. (1988): «The Institutional Framework and Economic Development». *Journal of Political Economy*, 96, pp. 652-662.
- SCHUMPETER, J.A. (1971 [1954]): *Historia del análisis económico*. Ariel, Barcelona.
- SMITH, A. (2005 [1776]): *La riqueza de las naciones*. Edición de Carlos Rodríguez Braun. Alianza, Madrid.
- USABIAGA, C. y O'KEAN, J.M. (1994): *La nueva macroeconomía clásica: una aproximación metodológica al pensamiento económico*. Pirámide, Madrid.
- VAN AARLE, B. and GARRETSEN, H. (2003): «Keynesian, non-Keynesian, or no effects of Fiscal Policy changes? The EMU case», *Journal of Macroeconomics*, 25: 213-240.
- VELARDE, J. (2012): «2012: ¿Un Nuevo Panorama para la Economía Española?», *Cuadernos de Pensamiento Político*, Abril/Junio 2012: 221-231.
- VIAÑA, E. (1993): *Lecciones de Contabilidad Nacional*. Civitas, Madrid.
- WICKSELL, K. (1947): *Lecciones de Economía Política*. Aguilar, Madrid.

ANEXO

(Cuadros comparativos de los Presupuestos Públicos
en los años 2007 a 2012)

CUADRO 1
RESUMEN POR POLÍTICAS DE GASTO DE LOS PGE. AÑOS 2007 A 2012
(Importe en millones de euros)

	(Previsión)					
	Año 2007	Año 2008	Año 2009	Año 2010	Año 2011	Año 2012
SERVICIOS PÚBLICOS BÁSICOS	19.574	22.044	21.814	21.594	19.731	17.909
Justicia	1.451	1.564	1.658	1.819	1.713	1.613
Defensa	7.696	8.148	7.832	7.357	6.868	6.261
Seguridad Ciudadana e Instituciones Penitenciarias	8.138	8.872	8.647	8.873	8.402	8.355
Política exterior	2.288	3.460	3.676	3.545	2.748	1.680
GASTO SOCIAL (1+2)	147.361	158.836	174.107	180.848	183.231	175.383
1.- Actuaciones de Protección y Promoción Social	139.547	150.399	165.271	171.984	175.085	168.250
Pensiones	91.458	98.012	106.099	108.283	112.216	115.826
Otras prestaciones económicas	12.797	14.085	14.973	14.403	13.576	12.014
Servicios Sociales y Promoción Social	1.833	2.288	2.472	2.721	2.516	2.119
Fomento del empleo	7.287	7.654	7.584	7.750	7.323	5.765
Desempleo	14.471	15.777	19.616	30.975	30.474	28.805
Acceso a la vivienda y Fomento de la Edificación	1.248	1.369	1.607	1.491	1.210	820
Gestión y Administración de la Seguridad Social	10.453	11.214	12.920	6.362	7.771	2.901
2.- Prod. de bienes públicos de carácter preferente	7.814	8.438	8.836	8.864	8.146	7.132
Sanidad	4.200	4.431	4.622	4.633	4.254	3.975
Educación	2.485	2.831	2.988	3.089	2.841	2.220
Cultura	1.128	1.175	1.226	1.142	1.051	937
						.../...

CUADRO 1
RESUMEN POR POLÍTICAS DE GASTO DE LOS PGE. AÑOS 2007 A 2012
(Importe en millones de euros) (continuación)

	(Previsión)					
	Año 2007	Año 2008	Año 2009	Año 2010	Año 2011	Año 2012
ACTUACIONES DE CARÁCTER ECONÓMICO	36.511	39.353	38.881	39.189	32.217	27.130
Agricultura, Pesca y Alimentación	8.536	8.999	8.835	8.955	8.578	8.511
Industria y Energía	2.117	2.313	2.856	3.109	2.793	1.897
Comercio, Turismo y PYME	1.169	1.118	1.626	1.487	1.431	1.110
Subvenciones al transporte	1.685	1.810	1.913	1.590	1.620	1.614
Infraestructuras	14.237	15.084	13.168	14.070	8.493	6.898
Investigación, Desarrollo e innovación civil	6.541	7.679	8.192	7.946	7.518	5.633
Investigación, Desarrollo e innovación militar	1.582	1.660	1.459	1.183	976	758
Otras actuaciones de carácter económico	644	691	832	849	809	709
ACTUACIONES DE CARÁCTER GENERAL	87.745	94.288	95.095	109.027	80.484	91.404
Alta Dirección	715	767	764	815	678	633
Servicios de Carácter General	8.553	9.437	9.241	9.784	8.185	7.000
Administración Financiera y Tributaria	1.558	1.627	1.597	1.500	1.410	5.238
Transferencias a otras Administraciones Públicas	60.993	65.848	66.393	73.727	42.811	49.685
Deuda Pública (intereses)	15.925	16.609	17.100	23.200	27.400	28.848
CAPÍTULOS I A VIII	291.191	314.522	329.896	350.657	315.663	311.826
CAPÍTULO IX. Pasivos financieros (emisiones de deuda pública)	0	34.893	34.307	35.704	46.797	50.289
PRESUPUESTO ADMINISTRACIÓN CENTRAL EN ESPAÑA (consolidado)	291.191	349.415	364.203	386.361	362.460	362.115

CUADRO 1
RESUMEN POR POLÍTICAS DE GASTO DE LOS PGE. AÑOS 2007 A 2012
(Importe en millones de euros) (continuación)

	CÁLCULOS CON LOS DATOS DE LAS ADMINISTRACIONES AUTONÓMICAS Y LOCALES					
	<i>(Previsión)</i>					
	Año 2007	Año 2008	Año 2009	Año 2010	Año 2011	Año 2012
Transferencias a las CC.AA.	38.978	42.651	43.290	47.650	19.806	24.309
Transferencias a las Entidades Locales	14.152	15.116	15.146	17.541	13.541	15.058
PRESUPUESTO ADMINISTRACIÓN CENTRAL (sin transferencias a CC. AA. y Entes Locales)	238.061	291.648	305.767	321.170	329.113	322.748
Presupuesto anual de las ADMINISTRACIONES AUTONÓMICAS	173.018	187.059	200.960	195.473	174.520	164.993
Presupuesto anual de las ADMINISTRACIONES LOCALES	73.096	80.337	79.076	74.394	62.480	63.632
PRESUPUESTO DE LAS AUTONOMÍAS (sin transferencias del Estado Central)	134.040	144.408	157.670	147.823	154.714	140.684
PRESUPUESTO DE LAS ENTIDADES LOCALES (sin transferencias del Estado Central)	58.944	65.221	63.930	56.853	48.939	48.574

CUADRO 2
PORCENTAJES POR POLÍTICAS DE GASTO. AÑOS 2007 A 2012
 (Importe en millones de euros)

	(Previsión)					
	Año 2007	Año 2008	Año 2009	Año 2010	Año 2011	Año 2012
PIB DE ESPAÑA (millones €)	1.053.161	1.087.788	1.048.060	1.048.883	1.063.355	1.054.399
% Servicios Públicos Básicos	1,9%	2,0%	2,1%	2,1%	1,9%	1,7%
% Gasto Social	14,0%	14,6%	16,6%	17,2%	17,2%	16,6%
% Actuaciones Carácter Económico	3,5%	3,6%	3,7%	3,7%	3,0%	2,6%
% Actuaciones Carácter General	8,3%	8,7%	9,1%	10,4%	7,6%	8,7%
% CAPÍTULOS I A VIII	27,6%	28,9%	31,5%	33,4%	29,7%	29,6%
% CAPÍTULOS IX. Pasivos financieros	0,0%	3,2%	3,3%	3,4%	4,4%	4,8%
% TOTAL PRESUPUESTO ESTADO CENTRAL incluyendo las emisiones de deuda pública	27,6%	32,1%	34,8%	36,8%	34,1%	34,3%
% TOTAL PRESUPUESTO AUTONOMÍAS	12,7%	13,3%	15,0%	14,1%	14,5%	13,3%
% TOTAL PRESUPUESTO ENTIDADES LOCALES	5,6%	6,0%	6,1%	5,4%	4,6%	4,6%
PRESUPUESTO TOTAL DE LAS AA.PP. DE ESPAÑA (millones €)	484.175	559.044	585.803	591.037	566.113	551.373
(incluyendo emisiones de deuda pública)	0	34.893	34.307	35.704	46.797	50.289
EMISIONES DE DEUDA PÚBLICA DE LA AGE						
% PRESUPUESTO PÚBLICO TOTAL DE ESPAÑA incluyendo las emisiones de deuda pública	46,0%	51,4%	55,9%	56,3%	53,2%	52,3%
						...

CUADRO 2
PORCENTAJES POR POLÍTICAS DE GASTO. AÑOS 2007 A 2012
 (Importe en millones de euros) (continuación)

	<i>(Previsión)</i>					
	Año 2007	Año 2008	Año 2009	Año 2010	Año 2011	Año 2012
% TAMAÑO DEL ESTADO (Gasto Público de AGE, Autonomías y Entidades Locales) (Cap. I a VIII)	46,0%	48,2%	52,6%	52,9%	48,8%	47,5%
% EMISIONES DE DEUDA (Financiación del Gasto Público no cubierto con los Impuestos) (Cap. IX)	0,0%	3,2%	3,3%	3,4%	4,4%	4,8%

Fuente: PIB según Eurostat. Elaboración propia a partir de los datos que publica el Ministerio de Hacienda y Administraciones Públicas.

CUADRO 3
PRESUPUESTOS 2011 CONSOLIDADOS DE LAS COMUNIDADES AUTÓNOMAS (continuación)

Presupuestos Autonómicos en el año 2011 (con los datos consolidados)	Población (perso- nas)	PIB (millo- nes €)	Gasto Auto- nomía (millo- nes €)	% Gasto Público Auto- nómico en el PIB (sin Público Gasto AGE y Entes Locales)	Gasto en Sanidad (millo- nes €)	Gasto en Personal (millo- nes €)	Gasto en educación (millo- nes €)	Gasto Personal y Educa- ción	% Sanidad y Educa- ción	Gastos Otros Gastos	% Sanidad + Educa- ción
Madrid	6.489.680	189.431	18.768	10%	6.297	7.069	4.481	34%	62%	5%	95%
Murcia	1.470.069	28.169	4.918	17%	1.141	1.969	1.381	23%	68%	9%	91%
Navarra	642.051	18.726	4.188	22%	1.145	963	643	27%	38%	34%	66%
País Vasco	2.184.606	66.575	10.567	16%	1.957	3.406	2.699	19%	58%	24%	76%
La Rioja	322.955	8.171	1.263	15%	423	429	234	33%	52%	14%	86%
Comunidad Valenciana	5.117.190	102.941	14.228	14%	5.371	5.500	4.236	38%	68%	-6%	106%
SUMA CC.AA.	47.029.641	1.069.576	174.519	16%	53.484	56.803	38.389	31%	55%	15%	85%

Fuente: Secretaría de Estado de Presupuestos. Página web del Ministerio de Hacienda y Administraciones Públicas.

GRÁFICO 2
EVOLUCIÓN 2007-2012 DEL PIB DE ESPAÑA
Y DEL PRESUPUESTO TOTAL
DE LAS ADMINISTRACIONES PÚBLICAS

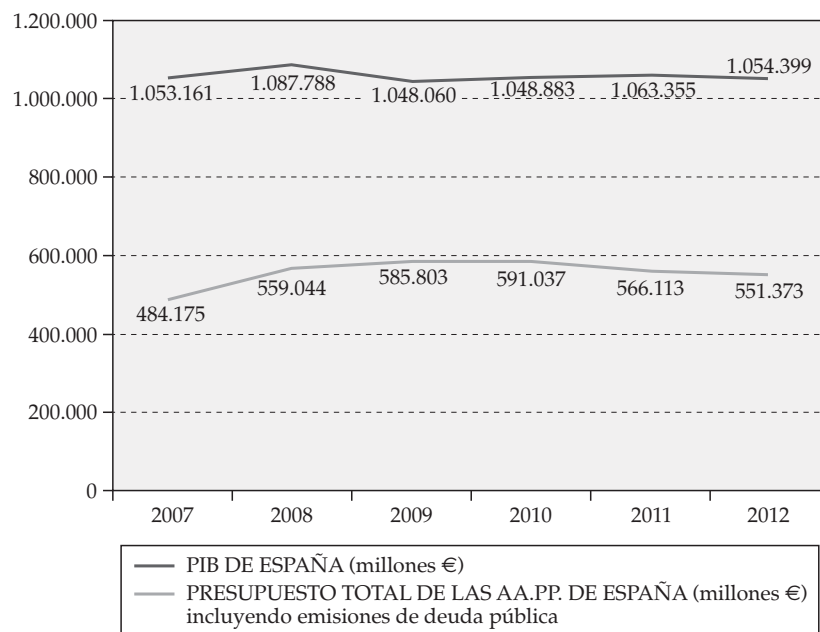


GRÁFICO 3
EVOLUCIÓN 2007-2012 DEL PRESUPUESTO
DE LAS ADMINISTRACIONES PÚBLICAS DE ESPAÑA
(En porcentaje)

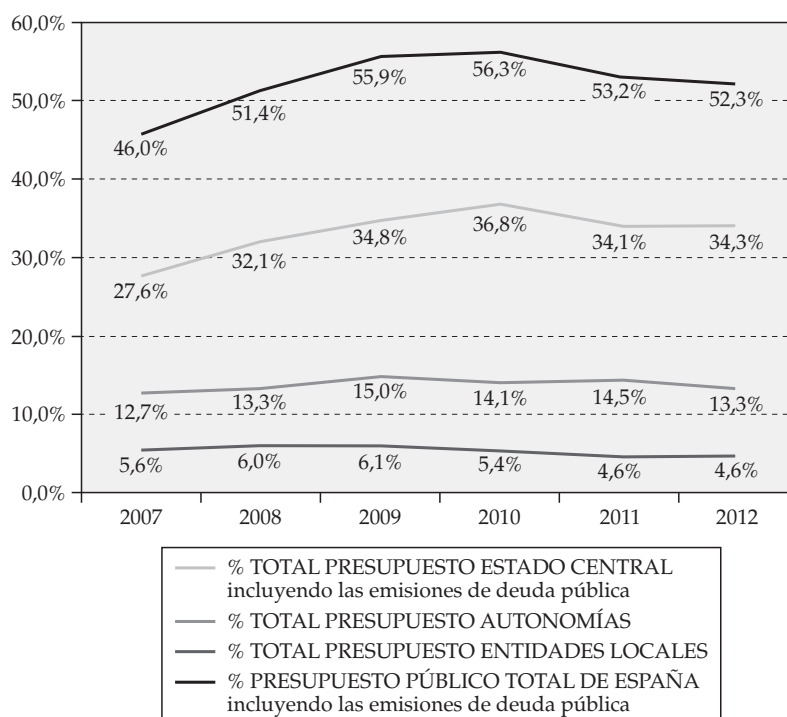


GRÁFICO 4
 EVOLUCIÓN 2007-2012 DEL PRESUPUESTO
 DE LAS ADMINISTRACIONES PÚBLICAS DE ESPAÑA
 (En millones de Euros)

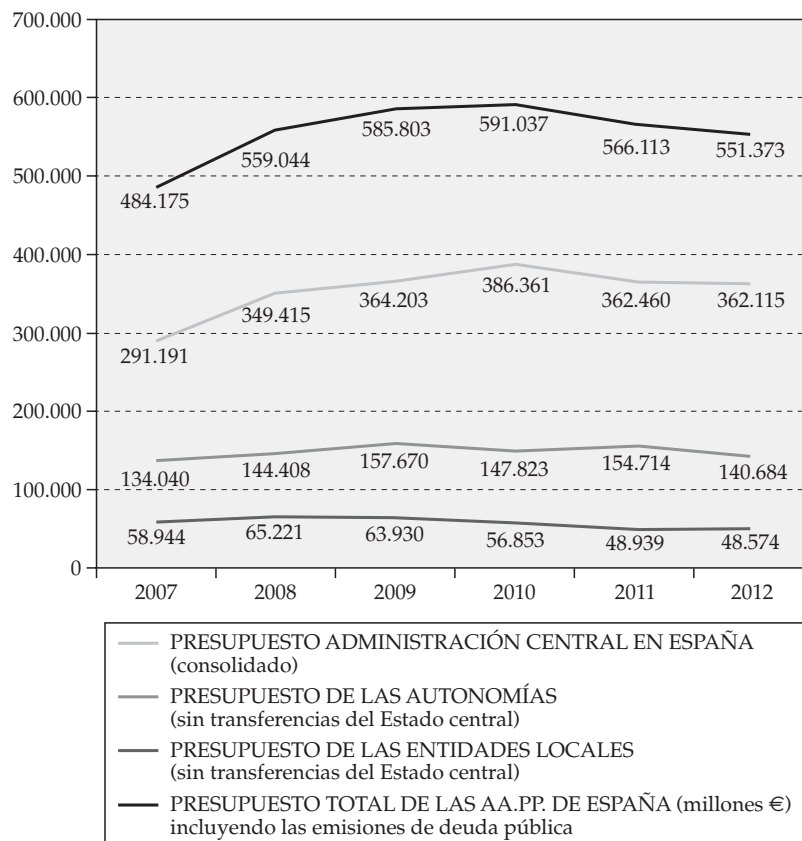


GRÁFICO 5
DISTRIBUCIÓN 2007-2012 DEL PRESUPUESTO AGE
EN ESPAÑA
(En millones de Euros)

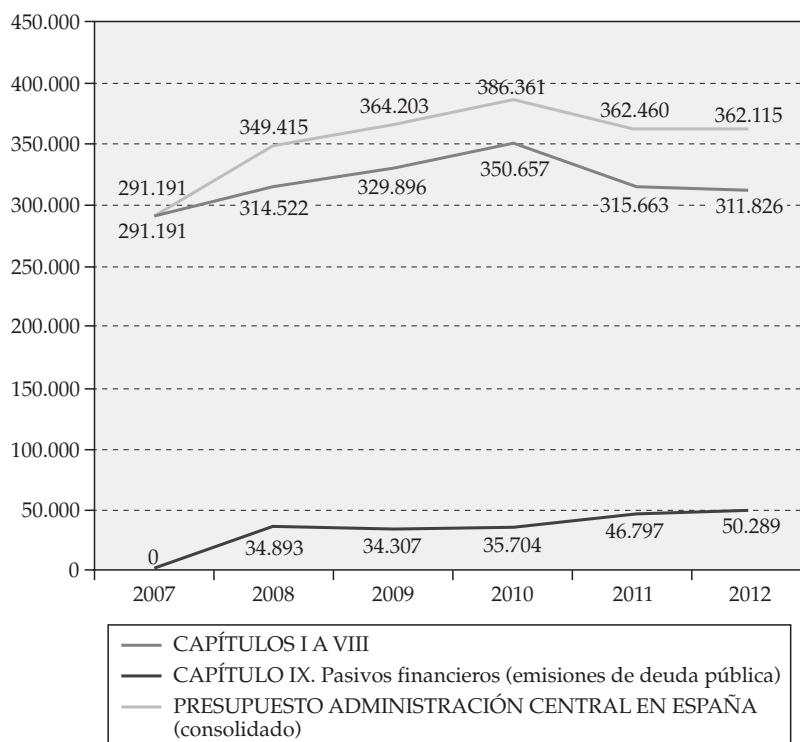


GRÁFICO 6
DISTRIBUCIÓN 2007-2012 DEL PRESUPUESTO
DE LA ADMINISTRACIÓN GENERAL DEL ESTADO
(En millones de Euros)

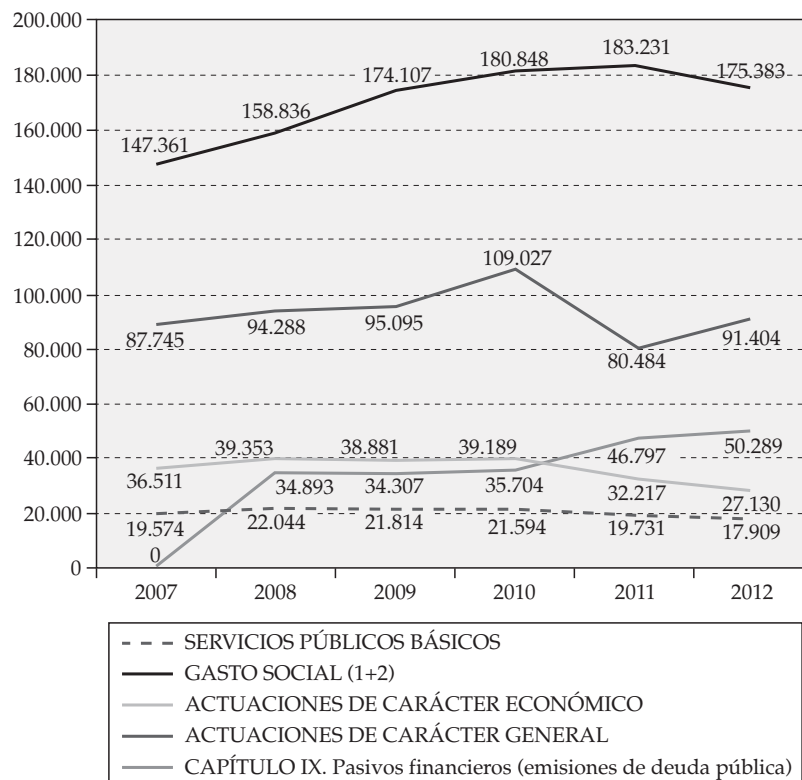


GRÁFICO 7
DISTRIBUCIÓN DEL PRESUPUESTO DE A.G.E. DE ESPAÑA
DURANTE EL AÑO 2012
(En porcentaje)

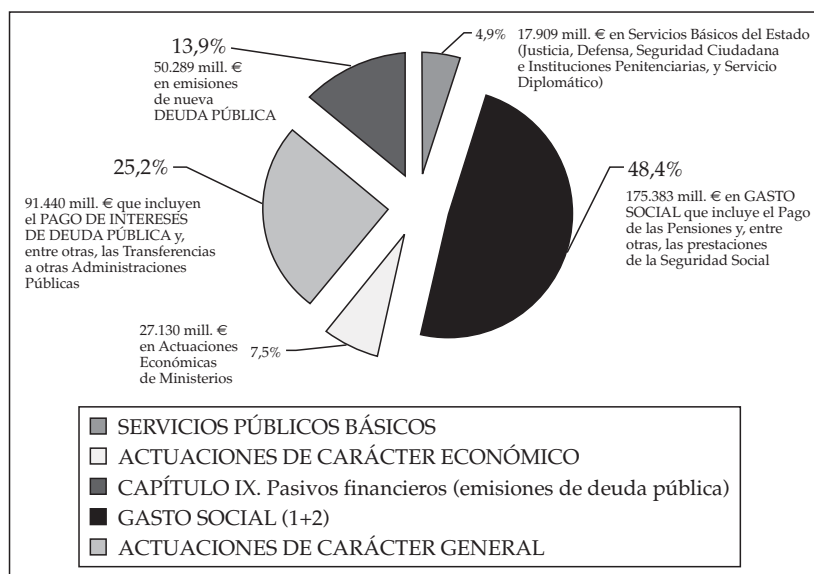


GRÁFICO 8
 DISTRIBUCIÓN DEL PRESUPUESTO PÚBLICO
 ENTRE LAS ADMINISTRACIONES DE ESPAÑA
 DURANTE EL AÑO 2012
 (En porcentaje)

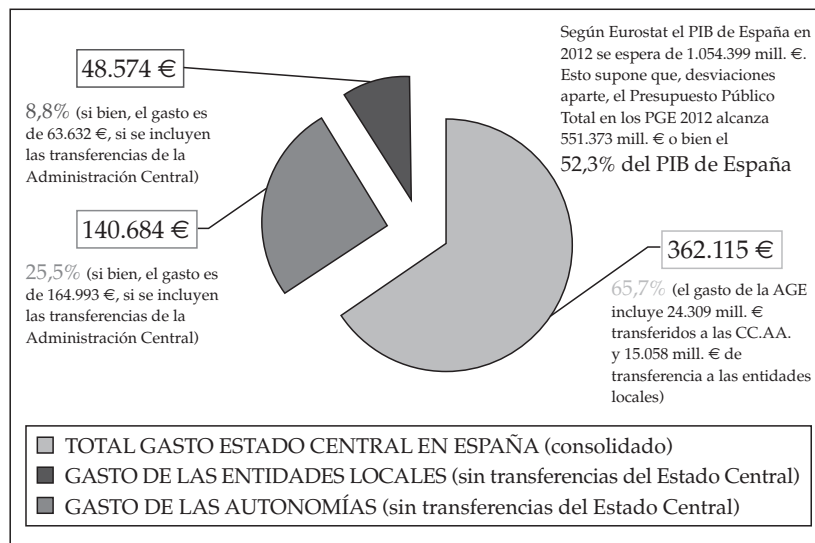


GRÁFICO 9
 PORCENTAJE DEL PRESUPUESTO AUTONÓMICO
 DEDICADO A PERSONAL Y A SANIDAD Y EDUCACIÓN
 SEGÚN DATOS CONSOLIDADOS DEL AÑO 2011

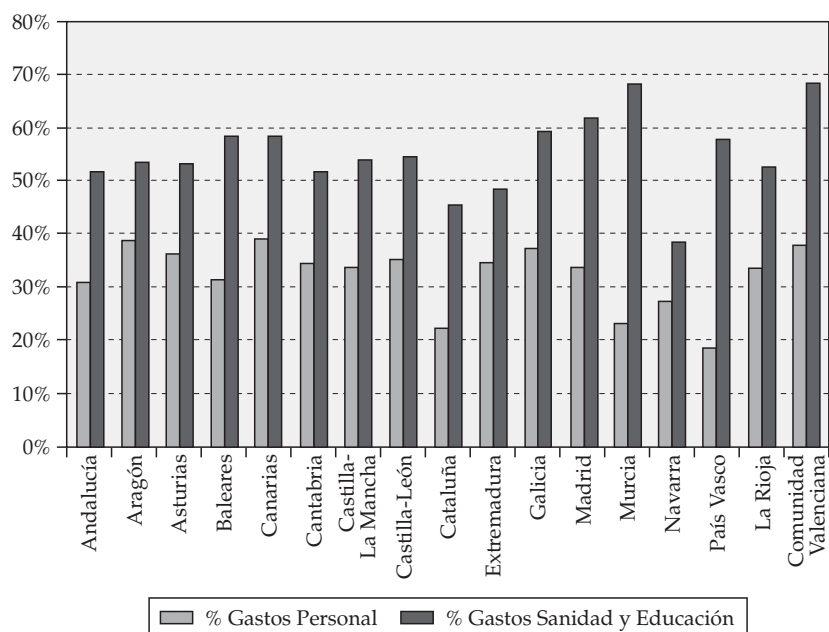


GRÁFICO 10
PORCENTAJE DEL PRESUPUESTO AUTONÓMICO
DEDICADO A GASTOS DE PERSONAL Y A GASTOS DE SANIDAD
Y EDUCACIÓN EN EL AÑO 2011

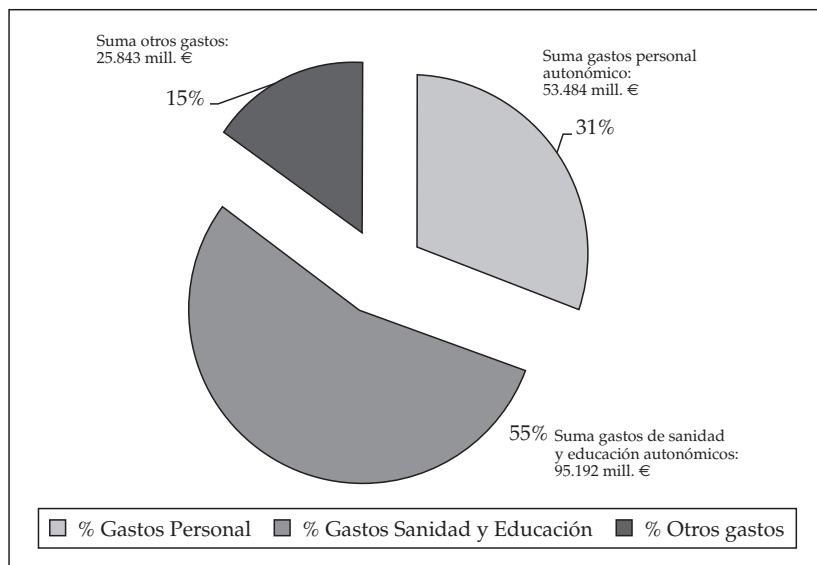


GRÁFICO 11
PORCENTAJE DEL PRESUPUESTO AUTONÓMICO
EN RELACIÓN CON EL PIB DE CADA
COMUNIDAD AUTÓNOMA

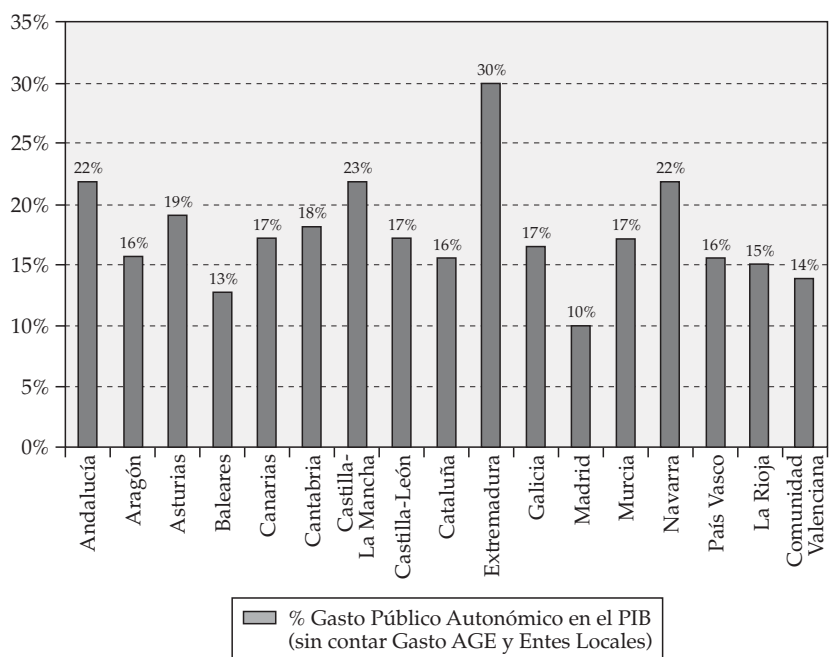
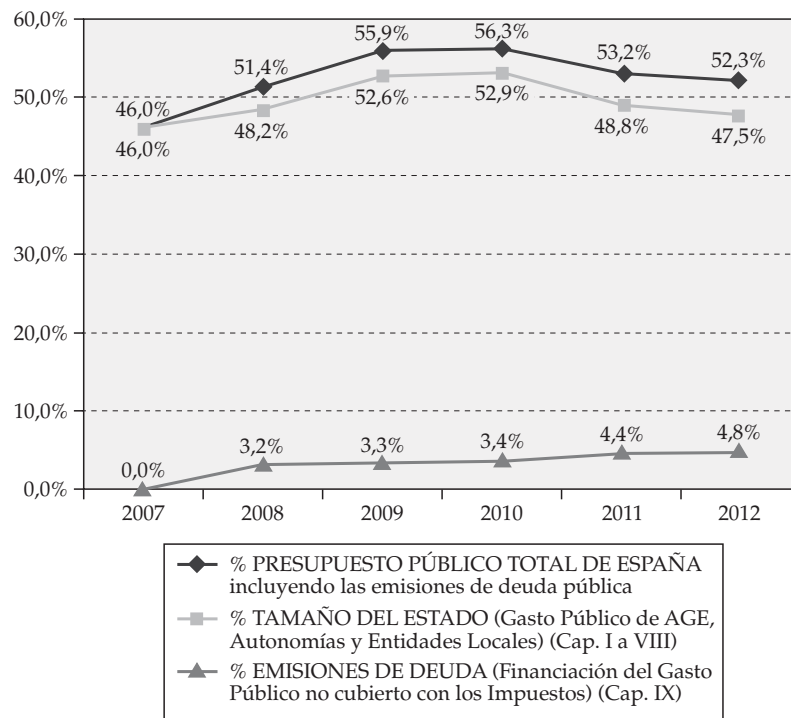


GRÁFICO 12
PRESUPUESTO PÚBLICO TOTAL Y TAMAÑO DEL ESTADO
RESPECTO DEL PIB DE ESPAÑA, SEGÚN PGE 2007-2012



Datos: Porcentajes calculados respecto del PIB de España que indica Eurostat.

Fuente: Gasto público y Emisiones de deuda de los PGE 2007-2012. Secretaría de Estado de Presupuestos y Gastos. Ministerio de Hacienda y Administraciones Públicas.

CUADRO 4
ADMINISTRACIONES PÚBLICAS (S.13).
OPERACIONES NO FINANCIERAS. CAPÍTULOS I A VIII. SEC 95. BASE 2008. AÑOS 2007 A 2011
(Millones de euros)

Código	Conceptos	2007	2008	2009	2010	2011(P)*
TR	RECURSOS NO FINANCIEROS	433.209	402.078	367.661	383.998	379.671
TRC	RECURSOS CORRIENTES	427.556	399.033	367.525	383.254	380.323
TE	EMPLEOS NO FINANCIEROS	412.963	450.948	484.759	485.467	480.111
TE (PDE) (2)	EMPLEOS NO FINANCIEROS (PDE) (2)	412.954	450.975	484.804	485.436	480.073
TEC	EMPLEOS CORRIENTES	355.781	391.378	422.763	430.998	435.514
TEK	EMPLEOS DE CAPITAL	57.182	59.570	61.996	54.469	44.597
B.9	CAPACIDAD (+) O NECESIDAD (-) DE FINANCIACIÓN (TR-TE)	20.246	-48.870	-117.098	-101.469	-100.440
B.9 (PDE)	CAPACIDAD (+) O NECESIDAD (-) DE FINANCIACIÓN (PDE) (2)	20.255	-48.897	-117.143	-101.438	-100.402
B.8	AHORRO (TRC-TEC)	71.775	7.655	-55.238	-47.744	-55.191
	SALDO PRIMARIO (B9+D41E)	37.186	-31.471	-98.578	-81.085	-74.320
	PIB de España SEC-95 BASE 2009	1.053.161	1.087.788	1.048.060	1.048.883	1.063.355

* El dato de déficit de 2011 incluye Ayudas a Instituciones Financieras, en el marco del proceso de reestructuración del sector financiero, por importe de 5.136 millones.
Fuente: IGAE.

CUADRO 4
ADMINISTRACIONES PÚBLICAS (S.13).
OPERACIONES NO FINANCIERAS. CAPÍTULOS I A VIII. SEC 95. BASE 2008. AÑOS 2007 A 2011
(Porcentaje del PIB) (continuación)

Código	Conceptos	2007	2008	2009	2010	2011(P)*
TR	RECURSOS NO FINANCIEROS	41,1%	37,0%	35,1%	36,6%	35,7%
TRC	RECURSOS CORRIENTES	40,6%	36,7%	35,1%	36,5%	35,8%
TRK	RECURSOS DE CAPITAL	0,5%	0,3%	0,0%	0,1%	-0,1%
TE	EMPLEOS NO FINANCIEROS	39,2%	41,5%	46,3%	46,3%	45,2%
TE	EMPLEOS NO FINANCIEROS (PDE) (2)	39,2%	41,5%	46,3%	46,3%	45,1%
TEC	EMPLEOS CORRIENTES	33,8%	36,0%	40,3%	41,1%	41,0%
TEC	EMPLEOS CORRIENTES (PDE) (2)	33,8%	36,0%	40,3%	41,1%	41,0%
TEK	EMPLEOS DE CAPITAL	5,4%	5,5%	5,9%	5,2%	4,2%
B.9	CAPACIDAD (+) O NECESIDAD (-) DE FINANCIACIÓN (TR-TE)	1,9%	-4,5%	-11,2%	-9,7%	-9,4%
B.9 (PDE)	CAPACIDAD (+) O NECESIDAD (-) DE FINANCIACIÓN (PDE) (2)	1,9%	-4,5%	-11,2%	-9,7%	-9,4%
B.8	AHORRO (TRC-TEC)	6,8%	0,7%	-5,3%	-4,6%	-5,2%
	SALDO PRIMARIO (B9+D41E)	3,5%	-2,9%	-9,4%	-7,7%	-7,0%
	PIB SEC-95 BASE 2008	1.053.161	1.087.788	1.048.060	1.048.883	1.063.355

* Los PIB utilizados desde el año 1995 al año 1999, ambos incluidos, están en base 2000.

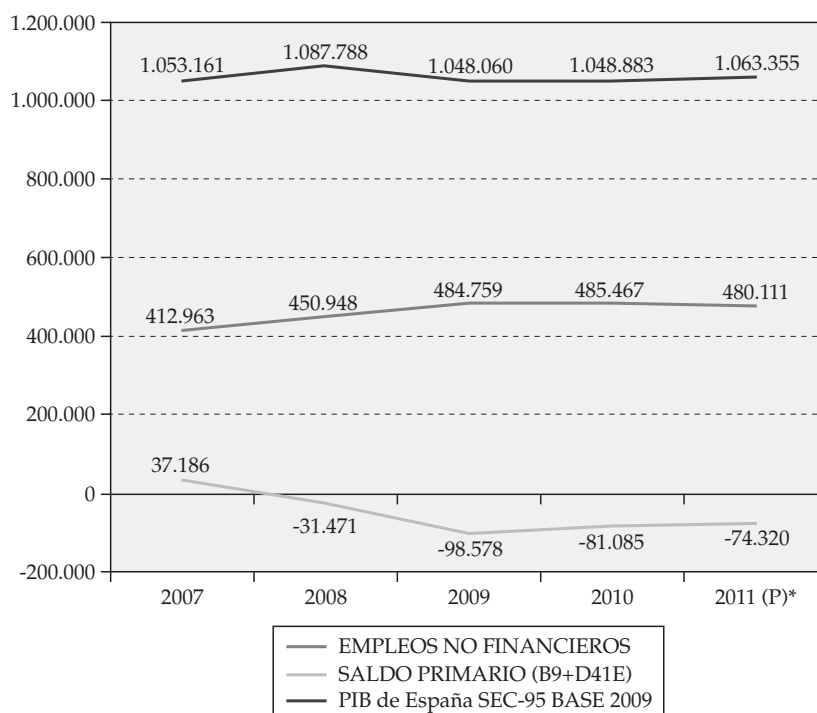
* El dato de déficit de 2011 incluye Ayudas a Instituciones Financieras, en el marco del proceso de reestructuración del sector financiero, por importe de 5.136 millones, equivalente al 0,48% del PIB.

(1) D.63*=D:631P+D63121P+D63131P (Transferencias sociales en especie relacionadas con el gasto en productos suministrados a los hogares por productores de mercado).

(2) Las rúbricas (PDE) corresponden a la aplicación de los criterios del Protocolo de Déficit Excesivo (PDE), lo que representa un distinto tratamiento de los flujos netos de los intereses vinculados a las operaciones de swaps respecto a los conceptos análogos en Contabilidad Nacional.

Fuente: IGAE e INE.

GRÁFICO 13
GASTO TOTAL DE LAS ADMINISTRACIONES PÚBLICAS
DE ESPAÑA



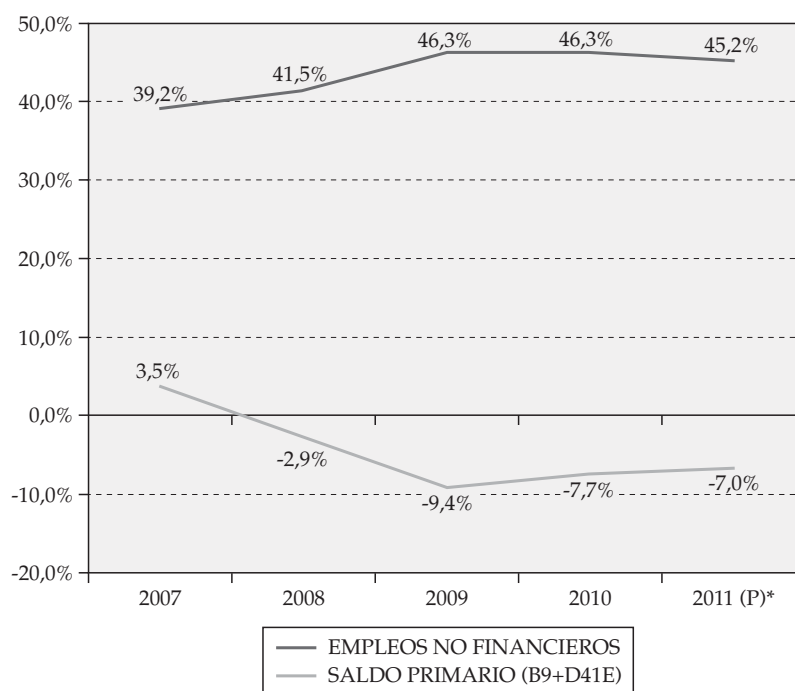
Nota (1): No se incluyen las emisiones de deuda pública.

Nota (2): No se contabilizan las sociedades mercantiles públicas, fundaciones y otros entes sujetos al derecho privado.

Datos: Millones de euros.

Fuente de datos: IGAE.

GRÁFICO 14
 PORCENTAJE DEL GASTO TOTAL
 DE LAS ADMINISTRACIONES PÚBLICAS DE ESPAÑA



Nota (1): No se incluyen las emisiones de deuda pública.

Nota (2): No se contabilizan las sociedades mercantiles públicas, fundaciones y otros entes sujetos al derecho privado.

Datos: Porcentajes respecto del PIB de España.

Fuente de datos: IGAE.

INDIVIDUAL SECESSION AND EXTRATERRITORIALITY

JOAKIM KÄMPE*

Fecha de recepción: 5 de septiembre de 2012.

Fecha de aceptación: 19 de diciembre de 2012.

Resumen: El propósito de este ensayo consiste en tomar la observación de Mises acerca de la necesidad de aceptar el derecho de secesión si se pretende hacer del programa liberal de paz y responsabilidad una realidad, y eliminar las dudas por él expresadas en relación a la posibilidad de extender tal derecho al individuo. Llevamos a cabo dicha tarea por medio de la explicación de los fundamentos teóricos e históricos del concepto de extraterritorialidad y mostrando cómo la extraterritorialidad (o mejor aún, la no territorialidad) es el único sistema coherente con los derechos individuales, la propiedad privada y el principio de no agresión. Al permitir la secesión individual nuestra propuesta plantea un sistema altamente descentralizado, dinámicamente eficiente, competitivo, voluntario y en constante evolución, que además podría dar lugar a una creciente diversificación de los códigos legales de acuerdo a los deseos subjetivos de los individuos.

Palabras clave: Extraterritorialidad, Secesión, Autodeterminación, Praxeología.

Clasificación JEL: A10, A12, K00, K10, N40.

Abstract: The purpose of this paper is to take Mises' observation on the need for the right of secession in order for the liberal program for peace and prosperity to be realized, and remove the doubts that he voiced regarding the feasibility of extending this right to individuals. We do so by explicating the theoretical and historical foundation of the concept of extraterritoriality, and by showing how extra-, or non-, territoriality is the only system which is consistent with individual rights, private property, and the non-aggression

* Ludwig von Mises Institute Sweden. Vinodlargatan 2, 11857 Stockholm, Sweden
Tel: +46 70 896 5019.

I owe a great deal of gratitude to Richard C.B. Johnsson and Celia Cobo-Losey for opening my eyes to the principle of extraterritoriality. I would also like to thank Phillip Bagus, who was the director of my master thesis, and Jesús Huerta de Soto.

principle. By allowing for individual secession our proposal represents a highly decentralized, dynamically efficient, competitive, voluntary and constantly evolving system, and it would allow for an increasing diversification of law codes fully consistent with people's subjective wishes.

Key words: Extra-territoriality, Secession, Self-determination, Praxeology.

JEL Classification: A10, A12, K00, K10, N40.

I INTRODUCTION

In this paper I set out to show that the right of secession, in order to be logically consistent with individual rights, self-determination, and the non-aggression principle, needs to allow for secession down to the individual level. The Austrian economist Ludwig von Mises recognized this necessity in his 1927 book *Liberalism* yet stopped short of advocating individual secession because of «compelling technical considerations.» It is the aim of this paper to show that they can be resolved by a legal principle called Extraterritoriality, or even better, Non-Territorial Governance. Under territoriality the laws follow the land. In contrast, under a system of Extraterritoriality or Non-Territorial Governance, the laws instead follow the person. Once we apply this principle, Mises' considerations are shown to be void and we are once again in a position to, along fully Misesian lines, promote secession down to the individual level in a way that is fully consistent with individual rights, private property and the non-aggression principle.

II THE STATE, TERRITORIAL GOVERNANCE AND SECESSION

Before we start our discussion we need to clarify some basic concepts first, and what better place to start than with the concept «state» as defined by the German sociologist Max Weber who pointed out that

... a state [...] claims the monopoly of the legitimate use of physical force within a given territory. Note that «territory» is one of the characteristics of the state.¹

As Weber correctly points out, the state is closely linked with the territory over which it rules. The concept of territory means that the state has an absolute and exclusive jurisdiction over the land within its borders. Anyone within the borders of a nation state must yield and be subject to the «law of the land,»² citizens and non-citizens alike.³ Thus when we speak of Swedish or Spanish law, we are talking about the law as it is applied on any territory that belongs to the Swedish or Spanish government/state and not how it is applied to Swedish or Spanish citizens. It is the territory where an action is committed that determines whether or not a crime, or even what sort of crime, has been committed. Further, once a crime is found to have been committed, it is the territory where the crime was committed that determines the competent court for the case. Thus, for instance, a Spanish citizen that commits a crime on Swedish territory, regardless of the victim's citizenship, is to be judged in a Swedish court according to Swedish law.⁴

This system of governance can best be called territorial governance.

Territorial governance can exist in many different forms. A territory can be divided into more or less autonomous regions or areas, there can be tax free/free trade zones, and so on. Yet the common feature is that the laws and regulations, law enforcement, and court systems are exclusively bound to the territory that

¹ Weber (1919), p. 1.

² For instance, we can find the principle of the Law of the Land stated as early as in 1297, in the Magna Carta:

No Freeman shall be taken or imprisoned, or be disseised of his Freehold, or Liberties, or free Customs, or be outlawed, or exiled, or any other wise destroyed; nor will We not pass upon him, nor condemn him, but by lawful judgment of his Peers, or by the *Law of the Land*.

³ This is generally the case, although there are exceptions. Such as for instance monarchs and diplomats.

⁴ There are some exceptions to this general principle. Yet these exceptions are to be seen as a departure from territorial governance to a non-territorial, personal, governance. More on that later, see Chapter IV.

the governing body, or the administrative unit, be it a local semi-autonomous government or a central government, administers. Each administrative unit has a set of laws and regulations that applies on its territory. Semi-autonomous territories might have absolute and exclusive jurisdiction over the territory on some issues, but never on all issues.

The territory of a state can either increase, as is the case when a state *conquers* or *annexes* a territory, or decrease, as is the case when a piece of the territory is *conquered* or *secedes* from the larger, territorial, political unit and creates its own political unit or joins another political unit. It is with the latter concept, i.e. the concept of secession, which we will deal with in this paper.

The usage of the word secession in a political sense is actually quite recent and closely linked with the American Revolutionary War. As Donald W. Livingston writes,

The English verb «to secede» comes from the Latin «secedere,» meaning any act of withdrawal. The exclusively political connotations that govern the term today are peculiarly American, and do not appear in English until the early nineteenth century. [footnote omitted] [...] One of the first to use the term in this new and exclusively political way was Thomas Jefferson, who, in 1825, retrospectively described the colonies as having seceded from the British Union.⁵

Secession under territorial governance essentially means that parts of the territory «break free» and create their own, self-governing and sovereign, administrative unit. This new administrative unit is also tied to the territory over which it rules, and it differs from the previously mentioned semi-autonomous governments in that it now claims absolute and exclusive jurisdiction over the specific territories regarding all issues. This means that, at least, this newly founded administrative unit will have its own laws, law enforcement, a court system, and so on, effective within its borders.

History is full of examples of secessions, both peaceful, such as when Slovakia seceded from the Czech Republic, and violent, the

⁵ Gordon (1998), p. 1.

most famous example being the American Revolutionary War, but also more recently in the 1990s with the break-up of Yugoslavia.

III THE NECESSITY AND NEED FOR INDIVIDUAL SELF-DETERMINATION

As was seen in the previous section, secession has most often, we might even say almost exclusively, been thought of in territorially collective terms, as territorial groups with some commonality breaking free from other territorial groups with another commonality. This commonality can be related to language, race, religion, etc. The idea behind the modern theory of the nation-state is that every linguistic group (i.e. nation)⁶ has the right to self-determination, of having its own government. This is often referred to as the self-determination of nations. However, this creates obvious problems in territories where mixed nationalities live side by side, which is evidenced by the numerous nationally fueled conflicts throughout history.

In his 1927 book *Liberalism*, the Austrian economist and classical liberal Ludwig von Mises set out to solve this problem, and to make the case for the liberal⁷ social order. In a particularly striking passage Mises concludes that if peace and prosperity are to be achieved the right to self-determination, or secession, necessarily has to be granted. Only by granting this could revolutions and civil as well as international wars be prevented. He stated,

The right of self-determination in regard to the question of membership in a state thus means: whenever the inhabitants of a particular territory, whether it be a single village, a whole district, or a series of adjacent districts, make it known, by a freely conducted plebiscite, that they no longer wish to remain united to the state to which they belong at the time, but wish either to

⁶ See Mises (1919), pp. 38-39.

⁷ The word liberal is henceforth used in the Classical sense and not the American sense (which has come to be more or less synonymous with Socialism or Leftism), unless otherwise noted.

form an independent state or to attach themselves to some other state, their wishes are to be respected and complied with. This is the only feasible and effective way of preventing revolutions and civil and international wars.⁸

Indeed, Mises even maintains that this right of self-determination is the only one that is consistent with individual rights when he stated that,

the principle of the right of self-determination [...] follows necessarily from the principle of the rights of man. [footnote omitted] No people and no part of a people shall be held against its will in a political association that it does not want.⁹

It is clear that Mises is referring to the right to secede, that is, the right of groups of people to get together and secede from a larger administrative and territorial unit, either by forming their own administrative and territorial unit or by joining themselves to another. That Mises views regarding self-determination stayed more or less the same up until his death in 1973 is evidenced by the fact that he made a similar point in what came to be his last book, *The Ultimate Foundation of Economic Science*, in 1962, where he wrote that,

when every territory can by majority vote determine whether it should form an independent state or a part of a larger state, there will no longer be wars to conquer more provinces.¹⁰

Controversial as the idea of secession¹¹ at first might be for some, it is simply nothing but the principle of freedom of association, this liberal principle which almost everyone seems to accept without hesitation,¹² taken to its logical conclusion. After all,

⁸ Mises (1927), p. 109.

⁹ Mises (1919), p. 60.

¹⁰ Mises (1962), p. 93.

¹¹ For some literature that deals with secession from a libertarian point of view see Gordon (1998) as well as Hoppe (2003).

¹² Indeed, the Freedom of Association is even in the UN Human Rights Charter, and while I don't necessarily put much weight to what the UN says it is nonetheless curious that the large majority of people accept the freedom of association without hesitation but at the same time generally, almost exclusively, deny such implied rights

one is only free to associate if one is also free *not* to associate (to dis-associate). Were one not free *not* to associate, but instead forced into associations against one's will, as well as being forced to stay in associations one no longer wishes to be part of, we would in fact no longer be talking about the *freedom* to associate but rather the *obligation* to associate. Only in a deeply confused and muddled mind could such an obligation be called a freedom.

Now, it is clear that Mises' point, when he talks about the right to self-determination, is that only if people are truly free to associate and dis-associate as they see fit, only if they are never forced into associations that they do not want to be a part of, can peace be achieved and conflicts avoided. Mises writes,

The idea of liberalism starts with the freedom of the individual; it rejects all rule of some persons over others; it knows no master peoples and no subject peoples, just as within the nation itself it distinguishes between no masters and no serfs. [...] He who [...] rejects the rule of some over others and demands the full right of self-determination for individuals and peoples has thereby rejected war also. [...] If one wants to make peace, then one must get rid of the possibility of conflicts between peoples.¹³

However, unfortunately Mises' rather naïve views regarding democracy create somewhat of a dilemma that for anyone committed to individual rights and the non-aggression principle at first might seem hard to solve.

The majority vote that Mises is referring to in reality does not get rid of the possibility of conflict at all, and neither is it consistent with the principle of freedom of association. Rather the very opposite is true, and it is not hard to grasp why it is so.¹⁴ After all, if 51 % of the voting public¹⁵ wants a territory to belong to State

as secession or even discrimination, which both simply are the most obvious cases of the freedom *not* to associate. You cannot have freedom of association without the freedom not to associate, since if you are not allowed *not* to associate, we are not talking about a *freedom* to associate, but an *obligation*.

¹³ Mises (1919), p. 107.

¹⁴ For further reading on this see Hoppe (2000), Karsten and Beckman (2011), and Smith (1989).

¹⁵ And one might also ask the question just exactly what constitutes «the voting public»? Anyone over 18 years of age? Sure, but what about the 17 year olds. Or the

A and not to State B, and the remaining 49 % wants the territory to belong to State B and not to State A, the will of the majority will in this case overrule the will of the minority. The majority will clearly force the minority to be a part of an association they do not want to be a part of. The will (and association) of the majority will be forced upon the minority. Clearly this is in no way conflict reducing.

Only in the rather unlikely case that the inhabitants that want to belong to State A are completely geographically separated from the inhabitants that want to belong to State B can this question be solved by giving both groups the right to form their own separate territories under the state of their choice.¹⁶ If, which is far more likely, the people that want to belong to State A and the people that want to belong to State B live mixed on the same territory, the will (and association) of the majority will quite obviously be imposed on the minority, which of course is bound to create conflict.¹⁷

Indeed, democratic votes of this kind are never about what the individual wants to happen to himself or what «the inhabitants» want for «themselves», but rather what the individual voter wants to happen to everyone else. Unfortunately, using collective concepts such as «the inhabitants» or «the people» might cloud this simple fact. The only way to get out of this dilemma would be if the will of *all* individuals were respected. Only in this case would no one be forced to accept anyone else's way of life, and no one would be allowed to force their way of life on anyone else. Indeed, this is what the liberal program for peace and prosperity taken to its logical conclusion would be.

16 year olds. Etc. Just as Hoppe (2000), and Karsten and Beckman (2011), have pointed out, democracy in itself leads to and promotes conflict.

¹⁶ However, what if there are some people, even just one, in one of *these* territories that disagrees with the rest? That of course just brings us back to the original problem.

¹⁷ In *Nation, State and Economy* Mises reasons that in any territory where there is a minority nation, democracy would not work for them since under democracy they would inevitably be found to be in the minority and thus be without any real political rights (since they would not be able to rise to power). Mises, (1919), pp. 73-74. It is hard to understand why this argument would not apply to individuals, and non-linguistic groups of individuals, as well. After all, as Ayn Rand correctly and poignantly pointed out, the smallest minority on earth is the individual. Rand (1966).

Moreover, Mises unfortunately resorts to a collectivist reasoning when he states that when *the inhabitants* of a particular territory no longer *want* to belong to a specific state but *wish* to attach *themselves* to another state or create *their own* state, *their wishes* are to be respected and complied with. This is clearly in contradiction to what Mises has written elsewhere, and it is a clear abandonment of his own methodological individualism. As Mises puts it, in perfectly clear language, in Socialism:

All rational action is in the first place individual action. Only the individual thinks. Only the individual reasons. Only the individual acts.¹⁸

It is hard to square this argument with Mises' statement that it is the *inhabitants* that *decide*, and that it is the *wish* of the *inhabitants* that is to be respected and complied with. But inhabitants do not and indeed cannot *act, think, want, wish* or *feel*. These concepts are only applicable to individuals.

Further, either «inhabitants» in this case refers to everyone (100%), in which case it is actually the wishes, wants and actions of all the separately existing individuals, and not the collective concept «inhabitants», that is to be respected and complied with. Or «inhabitants» does not refer to everyone but only to the majority (> 50%). Ok, so be it, but what then of the minority? What exactly are they if they are not inhabitants?

Now, Mises does seem to understand this point, and he makes it clear that when he speaks about self-determination he, albeit only in principle, is referring to *actual individuals* being allowed the right to self-determination. Indeed, he goes as far as to say that *it would have to be done* if it were in any way possible. He states,

However, the right of self-determination of which we speak is not the right of self-determination of nations, but rather the right of self-determination of the inhabitants of every territory large enough to form an independent administrative unit. If it were in any way possible to grant this right of self-determination to

¹⁸ Mises (1962), p. 113.

every individual person, it would have to be done. This is impracticable only because of compelling technical considerations, which make it necessary that a region be governed as a single administrative unit and that the right of self-determination be restricted to the will of the majority of the inhabitants of areas large enough to count as territorial units in the administration of the country.¹⁹

What is truly remarkable about the preceding passage is that Mises in principle, and contrary to how secession is, and generally has been, viewed, sees the necessity of viewing secession in an individual light instead of the previously mentioned collective one. He expressly points out that he is *not* talking about the self-determination of nations, but rather the right to self-determination *for every individual person*.

This right of self-determination on an individual level (*individual secession*) means that individuals would have the right to secede from the larger unit and be either unattached or join another unit. Mises' recognition that the right of self-determination would have to be given to every individual is in reality almost synonymous with anarcho-capitalism.²⁰ Nevertheless, Mises falls short of advocating pure anarchism by stating that it is not possible to grant individuals the right to self-determination *because of compelling technical considerations*.

But what exactly are these technical considerations?

The problem is to be found in territoriality. As we saw earlier, the concept of secession under territorial governance means that the seceding territories form their own administrative units,

¹⁹ Mises (1927), pp. 109-110.

²⁰ It is often maintained that Mises in fact was not an anarchist and that he had nothing but contempt for anarchists. They quote a famous passage from Mises where he calls the anarchist view hopelessly naïve. Two things must be noted. First of all, upon reading Mises it is clear that the anarchism he rejects is of the leftist variety and not of the capitalist type typical of Murray Rothbard. Second, while it is true that Mises never called himself an anarchist, and stops short of promoting individual secession, his position is more or less as close to anarchism as you can come without actually arriving. See on this Rothbard (1981). For more on the theory of anarcho-capitalism see Molinari (1849), Rothbard (1982), Rothbard(1973), and Hoppe (2000), as well as Hoppe (1988).

in territories over which they claim absolute and exclusive jurisdiction on all issues. These newly created administrative units would be, at least, responsible for laws, law enforcement, a court system, repelling trespassers and aggressors, and so on.

Now, since Mises' argument is based on territoriality, his objection seems to lie in the fact that individuals cannot in themselves be administrative territorial units. Just imagine if the territorial principle is taken down to an individual level. It would mean that all individuals would have to be administrative (governmental and territorial) units in themselves and in regards to all of their private land property. They would have to be responsible for their own laws, law enforcement, court system, and so on, on all issues regarding their private land property.²¹ While this certainly is possible, it does not seem to be very feasible and appears to be very far from an optimal solution, since it would require an undue amount of time and resources and it might possibly lead to a sort of tragedy of the anti-commons.²²

²¹ To some extent I owe this interpretation to the renowned Swedish Objectivist Per-Olof Samuelsson, writing for his online magazine «Nattvaktaren». Per-Olof Samuelsson writes, in Swedish: »Hur skulle en enskild individ kunna utgöra ett statligt förvaltningsområde? Som jag skrev i Vägen till laglöshet skulle detta innebära att varje enskild individ stiftar sina egna lagar och tar hand om sitt eget domstols- och polisväsende och beväpnar sig mot eventuella intrång från andra stater; och då skulle det inte bli minsta tid över för produktiv verksamhet.»

Further, and as an aside, Samuelsson points out that Mises also talks about secession of a village or a province, and he admits to being able to «imagine such a secession», even down to the level of a city block seceding. Yet, he nonetheless maintains that any secessionary unit would run into the same problem that the individual has, that is, the problem of having to make your own laws, take care of your own justice and police system as well as arm the village or the city against intrusions, and that the larger the administrative unit the less the problem would be.

First of all, Per-Olof Samuelsson, and indeed Mises himself, is taking the concept of territoriality for granted, without really explaining why. Second, it is also hard to get away from the fact that Per-Olof Samuelsson's suggestion could easily be used as an argument in favor of a world state as a solution to the problem presented above. And indeed, wouldn't the concept if taken to its logical end imply that only a centralized world state would have the best capacity to centrally plan law, justice and police? As Mises himself, as well as Jesús Huerta de Soto, has shown, there are compelling economic arguments why this is not the case but rather the opposite. See on this Mises (1922), Mises (1921), as well as Huerta de Soto (2010).

²² This concept was proposed by Michael Heller in his article «The Tragedy of the Anti-Commons», Heller (1998), and essentially means a coordination breakdown

Thus we conclude by noting that Mises' objections to individual secession are based on his conception that governance has to be territorial, and if this assumption is correct, we agree with Mises that there might indeed be compelling technical considerations why this, economically, might not be feasible. However Mises' assumption that all governance has to be territorial is unfounded. Once this assumption is removed and replaced with the concept of non-territorial or extraterritorial governance we can see that Mises' argument in favor of individual secession is sound and the compelling technical considerations he mentions disappear completely.

IV THE CONCEPT OF EXTRATERRITORIALITY

As has been pointed out previously, the governance system that we have today can best be described as *territoriality* or *territorial governance*. The guiding principle of this form of governance is that every state possess absolute and exclusive jurisdiction over all persons and things within its territorial borders, and that wherever you are in the world today you more or less have to submit to the «laws of the land» whether you approve of them or not.²³

The system of extraterritoriality, however, offers a distinctly different solution and in reality the two systems cannot be considered as being anything less than opposites.

due to there being too many competing interests. Of course, the free market has a way of dealing with coordination issues and solving them quickly and painfully. However, as can be expected with any intervention (such as the maintenance of an arbitrary and erroneous concept of territoriality) problems are bound to arise. Thus, just as its sister concept, the tragedy of the commons, the tragedy of the anti-commons is an effect of intervention into the free play of the market.

²³ Johnson (n.d.).

1. Theoretical overview

Extraterritoriality differs from territorial governance in at least two very important aspects.

First of all, it is in essence a *non-territorial form of governance*. Under extraterritoriality, the laws, instead of following the land as they do under territorial governance, follow the person. Thus, if we under extraterritoriality were to talk about Spanish or Swedish law then we would not be talking about the law as it applies on a specific territory but rather the law as it applies to a Spanish or a Swedish citizen.²⁴ From this naturally follows that offenses are considered as being invasions of individual rights and not crimes against the state.²⁵

The second way in which extraterritoriality differs from territorial governance is in regards to *conflict resolution*. How are cases that deal with two people of differing laws to be treated and solved? Generally and historically conflicts under extraterritoriality have been solved by the principle of *actor sequitur forum rei*, which means that the plaintiff would follow the defendant into his court.²⁶ Today, in our age of territorial governance, this principle has come to mean that it is the territory where the crime is committed that determines the competent court for handling the case.²⁷ Under non-territorial governance however it is the law of the accused, of the defendant, that is to be used and not that of the accuser, the plaintiff. In order to explain this more graphically, this table might be of some help:

²⁴ It is true that extraterritoriality in one sense still «refers back» to a territory, since the laws that apply to the person are derived from a specific territory. Yet the essence of the concept of extraterritoriality is that the law applies to the individual regardless of what territory he happens to be on. Thus we can say that what we are really arguing for in this paper might be called, by a better name, *non-territoriality*.

²⁵ Casey (2010).

²⁶ However, as will be seen later, occasionally regarding more serious offenses, such as murder, the law of the slain and not the law of the slayer have historically been applied. See chapter Chapter IV, Europe. Other examples are where the defendant and the plaintiff each choose half the arbitrators. See Chapter IV, *Iceland (10th - 13th century)*.

²⁷ Johnson (n.d.).

TABLE 1
CONFLICT RESOLUTION UNDER EXTRATERRITORIALITY
(PRINCIPLE)

<i>Defendant</i>		
<i>Plaintiff</i>	Citizen of A	Citizen of B
Citizen of A	A settle dispute.	B settle dispute.
Citizen of B	A settle dispute.	B settle dispute.

While it might at first strike the reader as odd that the accused is to be judged by his own laws, we need only imagine the opposite in order to understand why it is not so strange after all. The opposite would imply that people would be required to follow the way of living that other people preferred, which certainly is not very peaceful or conflict reducing. Instead, the peaceful and conflict reducing way of dealing with offenses is if the defendant is judged by his own court, according to the laws and customs that he follows. Thus, if we are to reuse our previous example, if a Spanish citizen commits a crime against a Swedish citizen, then the forum of the case would be Spanish, and a Spanish judge would judge according to Spanish law and custom, as is demonstrated in the table below:

TABLE 2
CONFLICT RESOLUTION UNDER EXTRATERRITORIALITY
(COUNTRIES)

<i>Defendant</i>		
<i>Plaintiff</i>	Citizen of Sweden	Citizen of Spain
Citizen of Sweden	Sweden settle dispute.	Spain settle dispute.
Citizen of Spain	Sweden settle dispute.	Spain settle dispute.

We can also add a third condition, which can generally be said to be common, although not necessarily so. Since offenses are considered as being invasions of individual rights, i.e. torts or

civil offenses, they are punished by a monetary restitution being owed to the victim and not the territorial monopolist (state).²⁸

2. Historical Examples

Having briefly looked at the theory of extraterritoriality we turn to some historical examples. The truth is that there exist a multitude of examples of systems of non-territorial governance, but before we take a closer look at some of them we need to keep in mind that we only know what has been written down and preserved for later generations.²⁹ Thus, the examples presented below are only the documented traces.

However, likely the system of non-territorial governance is as old as mankind itself. Indeed, for much of mankind's existence the concept of territoriality either did not exist or had a vastly different meaning than it has today, since the older generations of humans lived as nomads or as bands, or in territorially dispersed communities without strict borders. In such communities concepts of law, morals and conduct appeared, likely in a memorized form passed down to younger generations orally. Under these conditions it seems only natural that the law would follow the person and not the territory and as a rule, when meeting a stranger, it would have been natural to assume that they lived according to different laws and morals. Thus, as Richard C.B. Johnson points out, the common question regarding a stranger's origins, *Sub qua lege vivis?*,³⁰ referred not just to place of birth or ethnicity but to his laws and customs as well.

Further, in order not to be imposed laws and morals that one did not approve of it appears as only natural to show restraint and try not to impose one's own laws and one's own morals on

²⁸ Casey (2010)

²⁹ It need also be pointed out that the examples we list here in no way is meant to be exhaustive. Other examples include in the Levant and Africa. For the interested reader that would like to have more historical examples explained in more detail, see Shih Shun Liu, «The Rise and Decline of Extraterritoriality» (Liu 1925).

³⁰ Under/according to what law are you living?

strangers. And in order to resolve a conflict and avoid further conflicts, it seems further only natural to let the defendant be judged by his own kind and according to his own laws.³¹

3. Egypt, Greece, Rome and Mediaeval Europe

Some of the earliest documented traces of extraterritoriality are to be found in ancient Egypt. As was pointed out earlier, the sort of territorial governance and sovereignty that we today take for granted was unheard of in the ancient world, and rather than territory it was race, nationality or religion that formed the basis of what law one belonged to. Thus, as Liu points out,

an identity of religious worship seems to have been during this period a necessary condition of a common system of legal rights and obligations. The barbarian was outside the pale of religion, and therefore incapable of amenability to the same jurisdiction to which the natives were subjected [footnote omitted]. For this reason, we find that in the ancient world foreigners were either placed under a special jurisdiction or completely exempted from the local jurisdiction. In these arrangements for the safeguarding of foreign interests we find the earliest traces of extraterritoriality.³²

In ancient Egypt this was generally true for foreign merchants and especially true for Greek merchants, who were allowed to be judged according to their own laws and customs by their own judges in disputes regarding mercantile transactions.³³

In ancient Greece, special magistrates called Xenodikai were instituted in order to be involved in questions relating to foreigners. Their involvement ranged from having full judicial power in making decisions regarding the dispute in question, to merely investigating the case and delivering the results to the ordinary magistrate, who was responsible in the making of the final verdict.³⁴

³¹ Johnson (n.d.).

³² Liu (1925), p. 23.

³³ Liu (1925), p. 24.

³⁴ Liu (1925), p. 24.

Similarly, in Rome there existed a magistrate, praetor peregrinus, which was given authority to deal with disputes between peregrines, and between peregrines and Roman citizens. In Roman law, peregrines were not considered to be true foreigners or strangers. Rather, they were subjects of Rome even if they were neither citizens nor Latins.³⁵ While this system might not necessarily represent a perfect example of the later system of extraterritoriality it nonetheless gives us an early example that bears a resemblance to it. What's more, it also shows the kind of extralegal status that was given to foreigners in the ancient world. It is also in Rome that we find an early development and seed for later the developments of International Private Law.

Other examples in the Roman Empire can be found in Cadiz where Emperor Claudius (41-54 A.D) gave the merchants the privilege of choosing their own magistrates. Under Justinian (483-565 A.D) the Armenians were judged by the same laws as the Romans, except in certain matters regarding for example marriage and succession to property. These cases were left to be either settled by the Armenians themselves or by a magistrate that was appointed by the Emperor and charged with the duty of administering Armenian law.³⁶

With the downfall of the Roman Empire there developed, in Mediaeval Europe, a system of personal jurisdiction, which seems to have been based mostly on racial consanguinity. This meant that in the same country, or even city, people of different laws were living together. The Spanish born priest and archbishop of Lyon, Bishop Agobard, tells us that in these times,

it often happens that five men, each under a different law, would be found walking or sitting together.³⁷

As further examples of this, the Goths, the Franks and the Burgundians each lived under their own laws when they were

³⁵ However, the office of praetor peregrinus disappeared after 212 A. D. when Roman citizenship was extended to all provincials in the Empire. Liu (1925), p. 26.

³⁶ Liu (1925), p. 27.

³⁷ Liu (1925), p. 28.

living in the same country. In the laws of the Visigoths we also find the provision that disputes between foreign merchants are to be settled by officers of their own nations, according to their own laws, without Visigoth involvement.³⁸

In conclusion, while all the cases presented above, especially the earlier ones, are not necessarily perfect examples of extra-territoriality, they nonetheless at least show the sort of special, extra-legal, status that was awarded to foreigners in the ancient world,³⁹ and they also hold the seeds to the later development of extraterritoriality and the current international private law.

4. The Hanseatic League (13th – 17th Century)

The Hanseatic League was a trade federation consisting of German merchants and their corresponding market towns which dominated Northern European trade between the 13th and 17th centuries. The origin of the Hanseatic League is to be found in the city of Lübeck, which could also be considered as its center. One of the cardinal principles of the Hanseatic League was the absolute independence of its members of all foreign jurisdictions wherever they resided or traded, and they were instead to be

³⁸ The Visigothic Code expressly states: «When any legal cause of action arises between foreign merchants, it shall not be heard by any of our judges, but by their own, and it shall be decided according to their own laws.» Scott (1910), p. 358. S.P. Scott, the editor and translator into English 1910 version of *The Visigothic Code*, comments on this by saying that «this law, which grants to every foreign trader the privilege of being judged by his own magistrates, is the precursor to modern legislation establishing consular and other tribunals instituted to protect the commercial interests, and define the judicial rights, of persons transacting business in another country, and is of unknown antiquity. It is, however, at least thirteen hundred years old. A people capable of appreciating and adopting such a measure, must have had intelligent conceptions of the maxims and requirements of international law and have made no inconsiderable progress in the arts of civilization», Scott (1910), p. 358 fn. Worth noting here is also that S. P. Scott makes the same point that we will make later, that this system is a precursor to International Private Law.

³⁹ As Bruce L. Benson writes, regarding the Law Merchant, «by the twelfth century, mercantile law had developed to a level where alien merchants had substantial protection in disputes with local merchants and “against the vagaries of local laws and customs”». Benson (1990), p. 32.

judged according to Hanseatic, or Lübeck, law. In other words they demanded extraterritorial rights wherever their merchants happened to be. Liu points out that,

in the twelfth century, Lübeck enjoyed such exemption in Wisby, and acquired the right to transfer the privilege to other cities [footnote omitted]. From about the same time, the German merchants and other inhabitants of Wisby on the island of Gothland in the Baltic enjoyed similar privileges in the Republic of Novgorod in Russia [footnote omitted].⁴⁰

For instance, the privileges given to the German merchants and inhabitants of Wisby in the Republic of Novgorod⁴¹ in 1229 had the following provisions. If a Ruthenian⁴² committed an offense against a guest⁴³ the duke and alderman of Novgorod would be informed and they would settle the case. If, however, an offense was committed by a guest against a Ruthenian it was the alderman of the guests that was to be informed.⁴⁴ This is fully in accordance to the principle of *actor sequitur forum rei*.

Furthermore, no one had any right to take the offender by force. Instead it was up to the alderman of the guests to bring the offender to reason. The court of the guests was also off-limits for the locals. Only a messenger sent by the duke of Novgorod was allowed entrance. The local guards, the so called *biriz*, were not even allowed to go up to the entrance of the court.⁴⁵

As for the actual offenses, regardless of the severity they seem to have been viewed as civil offenses, torts, with a monetary restitution being owed to the victim. The amount of monetary restitution needed to be paid varied in relation to the victim's social status. For instance, the restitution that was owed in the killing of any person was set at ten marks of silver, but in the case of the killing of a priest, an alderman or a messenger this

⁴⁰ Liu (1925), p. 30.

⁴¹ The Republic of Novgorod was the eastern most port of the Hanseatic League.

⁴² Present-day Ukraine, Belarus, Poland, and Slovakia.

⁴³ Guest here refers to German merchants or an inhabitant of Wisby in Novgorod.

⁴⁴ Cave and Coulson (1936), p. 228.

⁴⁵ Cave and Coulson (1936), p. 228.

amount was doubled to twenty marks. A man's servant was atoned for by three marks of silver, the wounding of a freeman two marks of silver and the wounding of a serf half a mark of silver. The slapping of another person was to be amended for by paying half a mark of silver as well.⁴⁶

Further, a clear example to the special status that was granted guests, if a Ruthenian owed a debt to both a guest and a Ruthenian, he had to pay the debt to the guest first, and only later to the Ruthenian, and if he did not have enough money to pay the guest he would be forced into the servitude of the guest. However, before this happened, the guest first had to publicly offer the offender up for redemption, through which other people could pay off the debt to the guest, and, so to speak, redeem the offender.⁴⁷

A concluding example can be found in Scania,⁴⁸ where the Hanseatic settlements were mostly temporary, with merchants mainly staying over the summer, due to hostility⁴⁹ toward Hanseatic merchants from the Danish crown. Regardless, the Hanseatic merchants were eventually granted the right to choose their own judges in order to be tried according to Lübeck law in 1361 and 1368.⁵⁰

5. Iceland (10th – 13th century)

The story of Iceland is a curious and highly interesting one. According to «The Book of Settlements»⁵¹ most of the settlers to Iceland escaped Norway and the power ambitious king Harald

⁴⁶ Cave and Coulson (1936), p. 229.

⁴⁷ Cave and Coulson (1936), p. 229.

⁴⁸ While Scania is in present-day Sweden, in those days it belonged to the Danish crown.

⁴⁹ This hostility eventually led to an armed conflict. Together with Sweden, whose city Stockholm was one of Scandinavia's largest Hanseatic colonies, Mecklenburg and Holstein, as well as the Danish nobility, the Hanseatic League eventually raised an army and defeated the Danish crown, taking control of the Scania market for 15 years, from 1370. Dollinger (1999), p. 70.

⁵⁰ Liu (1925), p. 34.

⁵¹ In Icelandic: Landnámabók.

the Fair-haired, the king who is often given credit for the unification of some parts of Norway. The fact that most settlers in Iceland escaped a power ambitious king accounts for the fact that Iceland has never had a king.⁵² It also accounts for a period of almost 300 years that was characterized by highly decentralized and indeed non-territorial governance. There were no bureaucrats, no taxes, no police and no army, but rather what was needed was provided privately, such as fire-fighting, criminal prosecution, and care of the poor.⁵³ Most of what we know of the Icelandic system comes from a highly developed collection of literary works that was produced during these years, the so called Sagas of Icelanders, which describe events that took place in Iceland between in the 10th and 11th centuries.

As stated previously, the Icelandic system was a non-territorial one and did not have any kings. Instead of kings there were local chieftains, *goði*,⁵⁴ who were responsible for creating a (pagan) temple and serving as its priest.⁵⁵ The congregation was called the *goðorð*. The relationship between the *goði* and his congregation, his thing men, was based on a voluntary contract and furthermore it was non-territorial since the thing man could change his allegiance to another *goði* without having to move to a new geographical location.⁵⁶ Thus we see that the Icelandic system of governance was a non-territorial, or extraterritorial, system of governance, which effectively granted the right to secession down to an individual level.

In the case of a conflict resolution the members of the court system were chosen after the crime had happened, with the defender and plaintiff each choosing half the arbitrators. There was no public property, but all property was private, and there was no division between what we now consider to be crimes and civil offences. Rather, all crimes were considered offenses against

⁵² Roderick Long writes that «The 11th-century historian Adam von Bremen described Iceland as having «no king but the law.»», Long (2002).

⁵³ Long (2000).

⁵⁴ The Icelandic letter «ð» is roughly equivalent to the letter «d» only pronounced slightly differently.

⁵⁵ Whiston (2002).

⁵⁶ Friedman (1973).

an individual and his property, and if a crime was found to have been committed, the offender was forced to pay a fine to the victim. If the offender was unable to pay the fine himself he would have to either find someone else to help him pay, or if this was not possible, he could also work off his fine in the form of slavery. However, if the offender did not pay his fine or submit to slavery he was simply outlawed and was forced to live outside of the law.⁵⁷

The sentence of outlawry could be either of a lesser extent (Fjörbaugsgarður) or of a greater extent (Skóggangur). A lesser outlaw had to live outside of the protection of the law, i.e. leave the country, for three years. A greater outlaw had to leave the country permanently, and he could be rightfully killed after three months of outlawry.⁵⁸

Enforcement of judgments, i.e. the collection of restitution, was left fully in the hands of the victim. In order to incentivize the payment of restitution, the law most often specified when the payment should be done and failure to do so on time was in itself considered to be a crime.⁵⁹

One might immediately react to the fact that it was the victim himself who was responsible for collecting the restitution from the aggressor. What about the poor victims, those with very limited resources to enforce judgments in their favor? Weren't they simply left at the mercy of the rich and powerful? Not at all. This was solved by actually allowing the victim to sell his judgment to someone that was stronger than himself and more capable of enforcing it.⁶⁰

As David Friedman points out,

The Icelandic system dealt with this problem by giving the victim a property right—the right to be reimbursed by the criminal—and making that right transferable. The victim could turn over his case to someone else, either gratis or in return for

⁵⁷ Whiston (2002).

⁵⁸ Runolfsson Solvasson (n.d.).

⁵⁹ Runolfsson Solvasson (n.d.).

⁶⁰ Runolfsson Solvasson (n.d.).

a consideration. [Footnote omitted] A man who did not have sufficient resources to prosecute a case or enforce a verdict could sell it to another who did and who expected to make a profit in both money and reputation by winning the case and collecting the fine. This meant that an attack on even the poorest victim could lead to eventual punishment.⁶¹

Indeed, the willingness among Icelanders to pay up once found guilty was so remarkable that even in times of war it was still simply assumed that every man that was killed would have to be paid for at some point, which helped make any violent conflict very short lived. As Friedman recounts,

there is a scene in Njal's Saga that provides striking evidence of the stability of this system. Conflict between two groups has become so intense that open fighting threatens to break out in the middle of the court. A leader of one faction asks a benevolent neutral what he will do for them in case of a fight. He replies that if they are losing he will help them, and if they are winning he will break up the fight before they kill more men than they can afford! [footnote omitted] Even when the system seems so near to breaking down, it is still assumed that every enemy killed must eventually be paid for.⁶²

As is clear, both fighting parties had very strong incentives to stop the fighting and settle as fast as possible because any type of long lived and ongoing violence would end up being very costly, and was thus effectively discouraged. The Icelandic system seems to have had strong incentives, mostly monetary, that made sure that the enforcement of a judgment was carried out and Icelanders also seem to have been very keen on compromising in both major and individual disputes.⁶³ In fact, contrary to popular opinion, such as for instance regarding the Wild West,⁶⁴

⁶¹ Friedman (1973).

⁶² Friedman (1973).

⁶³ Runolfsson Solvasson (n.d.).

⁶⁴ See for instance the article, «An American Experiment in Anarcho-Capitalism: The -Not So Wild, Wild West», Anderson and Hill (1977).

the Icelandic system does not seem have been particularly violent. Friedman concludes his explanation of the Icelandic system by stating that,

the quality of violence, in contrast to other medieval literature, is small in scale, intensely personal (every casualty is named), and relatively straightforward. Rape and torture are uncommon, the killing of women almost unheard of; in the very rare cases when an attacker burns the defender's home, women, children, and servants are first offered an opportunity to leave. [footnote omitted] One indication that the total amount of violence may have been relatively small is a calculation based on the *Sturlung* sagas. During more than fifty years of what the Icelanders themselves perceived as intolerably violent civil war, leading to the collapse of the traditional system, the average number of people killed or executed each year appears, on a per capita basis, to be roughly equal to the current rate of murder and non-negligent manslaughter in the United States.⁶⁵

In conclusion, the Icelandic case was a non-territorial governance system, where the laws followed the person, the thing man, and not the land. Individual secession was granted to the thing man as he could change allegiance without having to move to another geographical location. Law, courts, enforcement and police were provided on a private and contractual basis, and yet despite this chaos did not break out. Even when the system eventually broke down in what was considered an intolerably violent civil war the violence was on par with present day USA. The Icelandic system lasted for roughly 300 years until it eventually broke down in 1262 after a civil war led to a centralization of power.⁶⁶

⁶⁵ Friedman (1973).

⁶⁶ As a comparison, it took only 85 years for a civil war to break out in the United States of America. While this is not the place to speculate as to why the Icelandic system eventually broke down, as Long points out, «We should be cautious in labeling as a failure a political experiment that flourished longer than the United States has even existed.» For Long's explanation of why the Icelandic Commonwealth broke down, see Long (2002).

6. China and The Far East

The case of China and the Far East is a more recent example of extraterritoriality, from the 17th century and lasting up until the beginning of the 20th century. Contrary to the previously stated examples, extraterritorial rights in China were never conceded voluntarily but rather it had to be forced upon the Chinese by treaty.⁶⁷ The reasons as to why foreign nations demanded to be granted extraterritorial rights in China are to be found in the feeling among westerners that the Chinese legal system was deficient. However, while most westerners might have viewed the Chinese system with suspicion, it cannot be considered to have been barbaric and uncivilized. As Liu writes,

Even Caleb Cushing, who regarded the extension of extraterritoriality to non-Christian peoples as a rule of international law, refuted the argument of civilization. «Europeans and Americans,» he said, « had a vague idea that they ought not to be subject to the local jurisdiction of barbarian Governments, and that the question of jurisdiction depended on the question, whether the country was a civilized one or not; and this erroneous idea confused all their reasonings in opposition to the claims of the Chinese [footnote omitted]; for it is impossible to deny to China a high degree of civilization, though the civilization is, in many respects, different from ours»⁶⁸

The first people to be granted exemption from local Chinese law in China were Arabians in the 9th century, and the first western foreigners that were allowed to live under their own law in China were Russians. This was the result of an agreement that was reached between Russia and China in 1689 that stated that,

If hereafter any of the subjects of either nation pass the frontier and commit crimes of violence against property or life, they are at once to be arrested and sent to the frontier of their country and handed over to the chief local authority for punishment.⁶⁹

⁶⁷ Liu (1925), p. 79.

⁶⁸ Liu (1925), p. 84.

⁶⁹ The Maritime Customs. Treaties, Conventions, etc. between China and Foreign States (1917), p. 6.

This right was however only granted to Russians in China (and to Chinese in Russia). Other westerners were forced, as before, to submit to local Chinese law. Before the Opium War, the British had tried, through legislation, on many occasions to introduce extra-territorial jurisdiction into China, but all their attempts had failed. It was only after the first Opium War had finished in 1842 that extraterritoriality was introduced in China for British citizens.⁷⁰

The Americans started arguing for an extraterritorial treaty, after an incident that involved an American sailor who was charged with the killing of a Chinese citizen, which left the American authorities displeased with the Chinese legal system and less eager to hand over their people to the Chinese justice system.⁷¹ A deal was eventually reached in 1844, and it became the main agreement that all other subsequent agreements were based on.⁷² A common feature of all these agreements was that they were non-mutual, that is to say, they applied only to foreigners in China but not to Chinese people in foreign countries. When it came to cases of dispute resolution, the following four categories of disputes were stipulated. They are jurisdiction in cases between

- 1) **Natives:** In these cases it was generally implied that the native authorities administered the law without interference.
- 2) **Foreigners of the same nationality:** These cases were decided by their own officials according to their own laws and usages, without native interference.

⁷⁰ The actual grant of extra-territorial right was given by China to Great Britain in July of 1843. Liu (1925), p. 97.

⁷¹ See the special edition of *China Weekly Review* dealing with a debate against and in favor of extraterritorial rights. The article states: «From the standpoint of the Americans there had been a cases where a sailor on an American ship had accidentally killed a Chinese. The Chinese demanded that the sailor be handed over to the Chinese authorities, which was done. No Americans were permitted to appear at the trial and give testimony and the sailor was adjudged guilty and executed by strangulation. Following that incident the Americans naturally refused to hand over any more of their nationals accused of crimes by the Chinese.» Powell (1925), p. 9.

⁷² Including countries such as Belgium, Denmark, Holland, France, Italy, Japan, Norway, Portugal, Spain, Sweden, Brazil, Mexico, Peru, and Switzerland.

- 3) **Natives and foreigners:** In these mixed cases the principle of *actor sequitur forum rei* was generally adopted.⁷³ That is, if a native committed a crime against a foreigner he was to be judged according to native law, and if a foreigner committed a crime against a native he were to be judged by foreign law. In civil cases between a native and a foreigner, it was the consul of the foreign power that was given the right to settle the case and see to it that both parties were pleased. If he failed to do so the consul had the assistance of local authorities. Together with local authorities the merits of the case were examined and decided. However, the final decision was according to the principle of *actor sequitur forum rei*, that is, it was in the hands of the official of the defendant's nationality. The official of the plaintiff's nationality was merely assigned the role of an assessor.⁷⁴
- 4) **Foreigners of different nationalities:** Disputes between foreigners of different nationalities were settled according to whatever treaties existed between the two nations without native interference. The settled rule in these cases, according to Liu, was again the principle of *actor sequitur forum rei*.

Other countries in the Far East where westerners enjoyed extra-territorial rights were Japan, Korea, Siam,⁷⁵ Borneo, Tonga and Samoa.

7. The Decline of Extraterritoriality and Present Day Examples

While the case of China shows a rather recent case, the truth is that the importance of extraterritoriality declined sharply after the Peace of Westphalia, in 1648, a treaty which accepted territorial sovereignty as a fundamental principle of international intercourse.⁷⁶ This decline likely had to do with the dynastic and colonial power struggles that that marked the 16th and 17th centuries,

⁷³ Liu (1925), p. 59.

⁷⁴ Liu (1925), p. 59.

⁷⁵ Present day Thailand.

⁷⁶ Liu (1925), p. 37.

initiated by the discovery of the Americas.⁷⁷ Despite this there still exist some traces of extraterritoriality today.

8. International Private Law

International Private Law (also known as Private International Law or Conflict of Laws) is a set of procedural rules meant to determine which legal system and which jurisdiction applies in a dispute between two or more conflicting legal systems. It is distinct from Public International Law in that it deals with private entities (individuals, companies, etc.) whereas Public International Law deals with treaties between governments. It can be either international (between different nation-states) or intra-national, as is the case between different states in a federal system.

As was mentioned earlier, a significant development of International Private Law can be found in the aforementioned case of Rome and the magistrate praetor peregrinus. The modern theory of International Private Law is however considered to have originated in Italy and especially through the works of Bartolus of Sassoferrato.⁷⁸

As Joseph Henry Beale notes,

[Bartolus'] text is the starting point and the cited authority for all subsequent work on the subject for five hundred years.⁷⁹

Likely the origin of the conflict of laws sprang out of the need to adjudicate disputes between traders belonging to different city states in Italy. In order to do so, certain laws were found to be personal and follow the person (*statuta personalia*), whereas other laws were found to follow the land (*statuta realia*). The similarities to the concept of extraterritoriality should be obvious.

An example of Private International Law is the Admiralty Law, or the Maritime Law, which deals with relationships between

⁷⁷ Liu (1925), p. 37.

⁷⁸ Bartolus (1914).

⁷⁹ Bartolus (1914), p. 9.

private entities and their ocean going vessels. Among the earliest historical records of maritime law we find the customs of the Hanseatic League which we previously mentioned, and traces can also be found in the way ships entering foreign harbors even today still carry and submit to the chosen flag.⁸⁰

9. Functionally Overlapping Competing Jurisdictions (FOCJ)

The concept of Functionally Overlapping Competing Jurisdictions (FOCJ) is a recent concept brought forth by Bruno Frey.⁸¹ The idea of FOCJ has many similarities with the ideas regarding non-territorial governance presented above and therefore it deserves some closer attention, since FOCJ allows for multiple governments to reside in the same territory. It also allows for governments to exist without any corresponding territory at all.

The FOCJ would be defined by the functions (i.e. «public services») they perform. Since these services are not necessarily related to any specific territory they would naturally overlap with other competing governments. This competition, and non-territoriality, means, as Professor Frey puts it, that

membership in a particular FOCUS (the singular of FOCJ) can be discontinued without changing one's location. Exit is not restricted to individuals or firms; political communities as a whole or parts of them may also exercise this option. Moreover, exit may be total or only partial. In the latter case, an individual or community participates in only a restricted set of FOCUS activities.⁸²

As can be seen, this is to a large extent similar to what have been presented previously in the text, historically (as in the case

⁸⁰ As an aside, the pirate tradition of hoisting a black flag was a ploy used to scare the soon-to-be-attacked victims of pirates into surrendering without a fight, since the black flag signaled that the attackers were outlaws, living outside of the law, and for this reason might not hesitate to kill everyone onboard the attacked vessel. Johnson (n.d.).

⁸¹ Frey (2001).

⁸² Frey (2001), p. 105.

of Iceland) and theoretically. Nonetheless, some deviations exist, and they need to be briefly dealt with.

Professor Frey's idea of FOCJ is to create a new federalism that, among other things, «is based on well-defined members and boundaries according to the public functions to be performed, *and thus is comparable to a club*» (my italics). Yet, at the same time he points out that «A FOCUS is a democratic governmental unit *with authority over its citizens, including the power to tax.*» (my italics)⁸³ To this we need only turn to what Joseph Schumpeter had to say in the matter,

The theory which construes taxes on the analogy of club dues or of the purchase of the services of, say, a doctor only proves how far removed this part of the social sciences is from scientific habits of mind.⁸⁴

Indeed.

Voluntarily paying a fee in order to be part of a club is of course not the same as being forced to pay taxes. Taxation and voluntary payments are two qualitatively distinct concepts.

Moreover, if we are to take Bertrand de Jouvenel's distinction between power and authority, taxation is found to be completely incompatible with authority (but of course still perfectly compatible with power). As de Jouvenel writes,

Power, however, is something very different from authority. The distinguishing mark of the latter is that it is exercised only over those who voluntarily accept it: if the rulers have authority over only a part of their subjects, they may receive from that part a strength sufficient to subject the others to their power [...] Authority ends where voluntary assent ends.⁸⁵

If we are to accept this definition then taxation is completely incompatible with authority, for if the payment for services rendered is made voluntarily and thus compatible with authority,

⁸³ Frey (2001), p. 106.

⁸⁴ Schumpeter (1942), p. 198.

⁸⁵ Hoppe (2000), p. 17.

then the payment does not constitute taxation at all but merely a normal fee. On the other hand, if the payment is not made voluntarily, which taxes are not since they are extracted at the point of a gun, then it is incompatible with authority.⁸⁶

Nonetheless, Frey's development of the idea of Functionally Overlapping Competing Jurisdictions is worth exploring in more detail. Once we remove taxation and replace it with voluntarily paying customers, the concept looks much like what is being proposed in this paper.

V PROPERTY, EXTRATERRITORIALITY AND INDIVIDUAL SECESSION

Before we dive into the solution to Mises' problem, which might already be obvious to some, we need to discuss some concepts as they relate to territory and territoriality, especially the distinction between land property and territory.

1. Land property vs. Territory

Property in land is a fairly straightforward concept. Property starts from the concept of self-ownership, that is, that every man has a right over his own body.⁸⁷ Further, in the world there are only things. Man turns things into goods when he recognizes that the thing has a value to him and appropriates it and makes it part of his own property. This is the concept of original appropriation.

From this we can deduce that property is something that is owned by some person (private property), a group of people (common property) or an entity (such as a corporation). Properties

⁸⁶ Furthermore one might ask if Frey's conception of the FOCUS is one that can unilaterally increase the price of its services. If so, then who in their right mind would ever patron that particular FOCUS?

⁸⁷ As Rothbard has shown, the alternatives to full self-ownership are bizarre. See Rothbard (1982), pp. 44-46.

can exist in a movable (such as a book) or non-movable form (with the prime example being land).⁸⁸

Being his property, the owner has the full right to do as he pleases with his property to the extent that it does not interfere with other people's right to do the same. This includes, but is not necessarily limited to, the right to use, add to, abandon, destroy, consume, sell, exchange, and transfer it as well as exclude others from doing these things. However, it must again be pointed out that the property owner can only do these things to the extent that he does not violate other property owners' property.

In relation to land property this means that I have the full right to exclude anyone I seem fit, on whatever grounds, from my land⁸⁹ and if an unwanted person nonetheless enters my property I have the right to forcefully evict him. However, in doing so I need to be careful that I do not violate his property and escalate the use of force too much.⁹⁰ The same is true when it comes to movable property. While I do have the right to claim a stolen item, such as a book, back from the thief I do not have a right to kill the thief on the spot. Rather the use of force can only be escalated in very much the same manner as in the case of land trespass.

⁸⁸ Some theorists also argue for another distinction, and that properties can be either material (a table) or immaterial (patents, copyright). Since this is not a paper on intellectual property, or even property, I will not dive into this discussion but rather refer the reader to some further reading on the subject which I tend to agree with. See Kinsella (2008) and Boldrin and Levine (2008). On the general subject of property see also Schaffer (2009) LeFevre (1966).

⁸⁹ Hoppe (2000), pp. 137-149.

⁹⁰ As Walter Block argues this eviction principle «stems from the non-aggression principle (NAP): in countering a rights violation, we want to ensure that we stop just on this side of violating the rights of the rights violator. So, if A sees B stepping on his lawn, as a first step A may not blow B away with a bazooka. Rather, A must notify B of his trespass, and if B immediately ceases and desists, perhaps even with an apology thrown in, that is the end of the matter. It is only if B turns surly, hostile and aggressive, and refuses to budge, that A may properly escalate. Not, immediately, to the bazooka stage, but a threat to call the police would not be considered at all inappropriate; even a physical push would not be untoward. If B at this point initiates physical aggression against A, say by pushing him back, throwing a punch at him, or pulling a gun or knife on him, then all bets are off, and A may appropriately escalate the violence sufficiently to protect himself and his property from invasion.» Block (2011), p. 5.

In other words I do not have an absolute jurisdiction over the person that either holds my book or stands on my land.

Now, the concept of territory assumes that there is an essential difference between movable property and immovable property (land) such that an absolute jurisdiction does in fact exist in relation to immovable property (land).⁹¹ Indeed one could say that the whole theory of the state rests on this rather dubious assumption. To repeat Max Weber's definition once again,

... a state [...] claims the monopoly of the legitimate use of physical force within a given territory. Note that «territory» is one of the characteristics of the state.⁹²

A territory is a geographical area, a piece of land, over which an entity, i.e. a state, claims exclusive and absolute jurisdiction (monopoly of the legitimate use of physical force). That is to say, if you were to set your foot on this or that geographical piece of land you would become the subject of said entity (state) and have to submit to its absolute jurisdiction.

This means that the concept of territory is completely incompatible with self-ownership and private property. Once I step on a territory this absolute jurisdiction means that I am at the mercy of the controlling entity; I am no longer in full possession of myself or my property; I am subject to the absolute jurisdiction of the controlling entity to do as it sees fit with my body and property. Under territoriality then, all talk of property is empty. «Property», as well as rights and freedoms, only exists to the extent that the controlling entity allows them to exist.⁹³

⁹¹ It is unclear why this right would not exist for movable property as well. I contend that this distinction is completely baseless. There is no essential difference between property in movable things and property in immovable things. Now, if absolute jurisdiction is given to things that one can step and stand on, what then if someone were to step or stand on my book? Do I then get absolute jurisdiction over that person's body and property?

⁹² Weber (1919), p. 1.

⁹³ This is of course the intellectual foundation of Statism spelled out in full force. I can do no better than quote Albert Jay Nock in this regard: «In brief, what it [Statism] came to was that the State is everything; the individual, nothing. The

a) *Individual Rights vs. Territorial Rights*

The distinction between land property and territory that we just made has further implications when it comes to the concept of rights.

As was stated, under territoriality all talk of property, rights, and freedom is idle. These things only exist to the extent that the territorial monopolist is willing to grant them, and they can just as quickly be revoked. It is assumed that rights are not inherent in anyone, nor based on his faculty, or condition, as a human being, but rather, «rights» are merely bestowed upon men by the grace of the territorial monopolist, and depends on what territory the person happens to be on at any given moment. This territorial and collectivist view of rights is of course completely incompatible with the concept of individual rights, which states that rights belong to human beings, individuals, alike.

For this reason we need to make one thing clear before we continue. A man's rights does not stem from him belonging to any particular territory (territorial rights). Rather they stem from the inescapable fact that we are acting human beings, individuals (individual rights). Thus while much has been written previously about extraterritoriality, what we are in reality talking about might have been better named if it had been called non-territoriality instead. After all, the rights of man does not stem from any particular territory but from his existence as a human being. Indeed the only governance theory compatible with individual rights is the concept of non-territorial governance, which of course is the same as a complete recognition of the principle of self-ownership and private property.

individual has no rights that the State is bound to respect; no rights at all, in fact, except those which the State may choose to give him, subject to revocation at its own pleasure, with or without notice [...] Moreover, since the State creates all rights, since the only valid and authoritative ethics are State ethics, then by obvious inference the State can do no wrong.» Nock (1943), pp. 114-115.

2. A non-territorial solution to the problem of individual secession

We are now in a position to restate Mises' position in regards to individual secession and solve it with the concept of extraterritoriality. Mises maintains that,

if it were in any way possible to grant this right of self-determination to every individual person, it would have to be done. This is impracticable only because of compelling technical considerations, which make it necessary that a region be governed as a single administrative unit and that the right of self-determination be restricted to the will of the majority of the inhabitants of areas large enough to count as territorial units in the administration of the country.⁹⁴

As we saw earlier, Mises' quarrel with individual secession was due to the fact that he considered it economically unreasonable for an individual to, in himself, be an administrative unit. This is so because every individual would then have to make his own law, and be responsible for his own law enforcement and court system, and make sure to arm himself in order to repel any and all invaders, and so on.

The main problem with Mises' reasoning is that he seems to take territorial governance for granted as being the only possible governance system, but we have seen that this is neither theoretically nor historically true. Extraterritoriality, or non-territoriality, solves, and has solved, this problem and makes it unnecessary for a seceding individual to be an administrative unit in himself, in much the same way that he, on a free market, does not have to be a self-sufficient producer of all the things that he wants. Rather, he would, just as before, use the services of a governing entity with the difference that this entity is not bound to any specific territory.

While it is by no means obvious a priori how this non-territorial governing entity would resolve conflicts and function

⁹⁴ Mises (1927), pp. 109-110.

on the market, we have seen that this historically has been solved by giving foreign people on a particular territory extraterritorial rights. This allowed them to be judged by their own country's judges according to their own country's laws, according to the principle *actor sequitur forum rei*, which meant that the accuser followed the accused to his court.

We used a table to explain the workings of this principle, so let us return to it briefly:

TABLE 3
CONFLICT RESOLUTION
(UNDER TERRITORIAL GOVERNMENTS)

<i>Defendant</i>		
<i>Plaintiff</i>	Citizen of Sweden	Citizen of Spain
Citizen of Sweden	Sweden settle dispute.	Spain settle dispute.
Citizen of Spain	Sweden settle dispute.	Spain settle dispute.

It doesn't take a lot of imagination to convert the concept of citizen to the concept of customer, or to convert the (territorial) concept of country to the (non-territorial) concept of company. Awkward as this might seem at first, it is likely only because we have gotten used to thinking in a territorial way. But from an historical point of view, it is the system of territoriality, and not that of extraterritoriality, that is the anomaly. A way of imagining the functioning of an extraterritorial system in the world of today is to merely take the territorial governments, the Swedes, the Spains, the Germanys, etc., of today and strip them of their territorial connection, making them non-territorially bound companies instead. When we do so it becomes obvious that what we have said so far is very much compatible with the workings of conflict resolving insurance agencies (sometimes called PDAs [Private Defense Agencies]) as explained by Tannehill and Tannehill (1993), Rothbard (2006) and Hoppe (2003), among others.

Let us thus return to the explanatory table, but let us replace Citizen with Customer, and let us consider Sweden and Spain

to be non-territorial private conflict resolving insurance agencies, PDAs A and B.⁹⁵

TABLE 4
CONFLICT RESOLUTION
(UNDER NON-TERRITORIAL PDAS)

<i>Defendant</i>		
<i>Plaintiff</i>	Customer of A	Customer of B
Customer of A	PDA A will settle dispute internally.	PDA B will settle dispute.
Customer of B	PDA A will settle dispute.	PDA B will settle dispute internally.

Allowing for some conjecture, the PDAs that offer protection and judicial services on a completely free market would likely be linked to insurance agencies that offer insurance against damages incurred by other people.⁹⁶ People would contract freely with these insurance agencies, and would be able to switch between insurance companies without having to move anywhere. I am struggling, and failing, to find a good metaphor here, but instead of having to «vote with their feet» they could just make the decision to change company by, for instance, making a simple phone call.⁹⁷ There would likely be no public law, but rather all offenses would be treated as violations of individual rights, as civil offenses, with restitution being owed to the victim.

While the PDAs generally would insure the customer against damages, it is clear that this would not be true in all cases. Rather, as Hoppe points out,

⁹⁵ This table should not be confused as something that is meant to represent the way conflicts *should be* resolved on a free market. Rather it is meant to show how conflicts *might be*, and historically *has been*, resolved according to the principle of *actor sequitur forum rei*. There is of course nothing that means that it will have to be this way.

⁹⁶ Tannehill (1970).

⁹⁷ The argument against the statement that it is easy to change your company by a phone call, is often that «it is not at all as easy as it sounds, because look at how difficult it is to switch mobile service or ISP provider!». To this one of course need only reply that at least one does not need to leave the country to change mobile service!

... protection becomes an insurable good only if and insofar as an insurance agent contractually restricts the actions of the insured so as to exclude every possible «provocation» on their part. Various insurance companies may differ with respect to the specific definition of provocation, but there can be no difference between insurers with regard to the principle that everyone must systematically exclude (prohibit) all provocative and aggressive action among its own clients.⁹⁸

The PDAs would not insure, or be responsible, if anyone of their clients violated these contractually stipulated prohibitions. As Hoppe again points out, insurers,

would offer their clients contracts with well specified property and product descriptions and clearly defined and delineated duties and obligations.⁹⁹

Let us briefly consider what the prohibitions, duties and obligations would consist of.

The most obvious ones are clearly those aggressive behaviors that are in violation of the non-aggression principle, such as assault, theft, murder, rape, and threats thereof, but also, and just like any normal insurance policy, reckless behaviors such as, for instance, being drunk and swinging a baseball bat in front of the windshield of someone's car. In fact, to get a better idea of what these prohibitions, duties and obligations that PDAs would require of their customers in order to insure them in the first place we could consider them as being what we now consider as being «the law». This law would apply to the individual insurance taker, it would be highly individual and it would, so to speak, «follow him»

To conclude, we have seen that Mises was indeed correct in stating that if individual self-determination, or individual secession, were at all possible it would have to be given. By applying the concept of extraterritorial, or non-territorial, governance, we also see that he was incorrect in saying that there existed

⁹⁸ Hoppe (2003), p. 348.

⁹⁹ Hoppe (2003), p. 351.

compelling technical considerations that made it impossible. Under non-territorial governance however, there is absolutely no need for the individual to be an administrative, territorial, governmental unit in himself, and this removes Mises' misgivings completely. Just as Mises points out, the right to self-determination stems from the rights of man, and indeed it is only by removing territoriality completely and allowing for individual secession that the rights of man can be fully maintained and the liberal program for peace and prosperity can be reached. Only in this way will no one be held against their will in an association that they do not want to belong to; and only in this way will conflicts between people and peoples be reduced to the largest extent possible.

VI CONCLUSION

The importance of the study of economics has never been put as forcefully as Mises so poignantly writes at the end of *Human Action*. Economics, he writes,

is the philosophy of human life and action and concerns everybody and everything. It is the pith of civilization and of man's human existence.¹⁰⁰

While the preceding paper is not an economic paper in the strict *catallactic* sense, something which I readily admit, I would argue that it certainly is an economic paper in the broader and more generally *praxeological* sense. It is the aim of praxeology to study the logic of action. Through praxeology we can explain how institutions, such as language, money and law, voluntarily¹⁰¹

¹⁰⁰ Mises (1949), p. 878.

¹⁰¹ The astute reader might notice that I do not use the commonly used word «spontaneous» to explain the process by which institutions appear. This is because I believe that the correct concept is one of a «voluntary order» rather than a «spontaneous order». Trying to describe human action and their results in terms of

spring up on the market through human action.¹⁰² Law is not a creation of the centralized, top down, organization, but rather the result of a complex inter-tangled web of decentralized human actions and interactions. Bruce L. Benson has convincingly argued that before the coercive apparatus of the state appeared, law voluntarily emerged from custom in Anglo-Saxon England. He gives special attention to the Law Merchant which,

evolved into a universal legal system through a process of natural selection. As merchants began to transact business across political, cultural, and geographical boundaries, they transported trade practices to foreign markets. Those previously localized customs that were discovered to be common to many localities became part of the international Law Merchant. Where conflicts arose, practices that were the most efficient at facilitating commercial interaction supplanted those that were less efficient.¹⁰³

Certainly an institution, such as the legal institution which was the subject of this paper, that has sprung up from, maintains, and creates the conditions for the best functioning of, the market itself deserves our attention. It is of great importance if we are to come closer to an understanding of the extremely complex web of human actions and interactions that gives rise to markets, and indeed society itself.

Our study is however far from being a complete one. I believe it is possible to extend our analysis by combining what we have

«spontaneity» is mildly misleading, since it brings in a concept that seems to be more fitting to the natural sciences and it is bound to lead to some confusion. Human actions do not just «happen» spontaneously but are rather signified by will, intention, reason, etc. Thus, what is generally referred to when one uses the term «spontaneous order» is merely an order that is «free of intervention», which of course in regards to human action simply refers to a *voluntary* order rather than a *spontaneous* one. This terminological confusion is one of my main criticisms of Hayek's book «The Fatal Conceit». It is simply erroneous to use the concept of «natural selection» in its biological sense to describe human action and human society. Natural selection in biology is based on competition, but natural selection, if we are even to use this term, in the human realm is however based on *cooperation*, which of course is *voluntary*. Cooperation can never be based on force or coercion.

¹⁰² Huerta de Soto (2010), p. 28.

¹⁰³ Benson (1990), p. 32.

written with the conception of the legal institution as evolutionary.¹⁰⁴ Indeed, Hayek has shown that law making is a discovery process, and

if Hayek is correct that law-making is a discovery process similar to the discovery process of economics, it follows that the optimal system for provision of legal services should be predicated on a competition-based, rather than a monopoly based, system [...] Just as competition enables discovery and innovation in markets, competition enables discovery and innovation in law too.¹⁰⁵

If we are to accept what Hayek convincingly argues, that the market for law is like other markets, then the problem of economic calculation (or knowledge) is very much applicable. The more centrally controlled any market is, the more difficult economic calculation, and hence rational action, will be. Like any market then, a higher degree of decentralization and freedom is what is needed.

The purpose of this paper was to take Mises' sharp observation on the need for individual secession in order for the liberal program for peace and prosperity to be realized, and to remove the doubts that he voiced regarding the feasibility of his own proposal. I believe I have done this by explicating the theoretical foundation of the concept of extraterritoriality, as well as showing how it has been applied historically and how extra-, or non-, territoriality is the only system which is consistent with individual rights, private property, and the non-aggression principle.

The concept put forth in this paper represents the highest amount of decentralization and the closest approximation to the voluntary market order regarding the legal institution that at least *I* am capable of imagining. Our proposed system of non-territoriality would allow for both an increasing diversification of law codes fully consistent with people's subjective wishes

¹⁰⁴ Hayek (1982).

¹⁰⁵ Stringham (2011), p. 26.

as well as a unification of law.¹⁰⁶ By allowing for individual secession our proposal represents a highly decentralized, dynamically efficient, competitive, voluntary and constantly evolving system, and combining our investigations with Hayek's and Benson's writings on the subject might in the end prove to be highly fruitful.

In the meantime we might simply entertain the idea that perhaps one day, in the not too distant future, it will again be perfectly normal to greet a stranger you meet on the street with the phrase «Sub qua lege vivis?»; according to what law are you living.

BIBLIOGRAPHICAL REFERENCES

- ANDERSON, T. and HILL, P.J. (1977): «An American Experiment in Anarcho-Capitalism: The Not So Wild, Wild West» *Journal of Libertarian Studies*, pp. 9-29.
- BARTOLUS (1914): *On the Conflict of Laws*, Cambridge, Harvard University Press.
- BENSON, B.L. (1990): *The Enterprise of Law: Justice without the State*, San Francisco, Ca., Pacific Research Institute for Public Policy.
- BLOCK, W. (2011): «Evictionism is Libertarian; Departurism is Not: Critical Comment on Parr», *Libertarian Papers*, n.º 3.
- BOLDRIN, M. and LEVINE, D.K. (2008): *Against Intellectual Monopoly*, London, Cambridge University Press.
- CASEY, G. (2010): «Reflections on Legal Polycentrism», *Journal of Libertarian Studies*, pp. 22-34.
- CAVE, R.C. and COULSON, H.H. (1936): *A Source Book for Medieval Economic History*, Milwaukee, The Bruce Publishing Co.
- DOLLINGER, Ph. (1999): *German Hansa: The Rise of International Business 1200-1800*, Routledge.
- FREY, B. (2001): «Government Without Territorial Monopoly», *The Independent Review VI*, n.º 1, pp. 99-112.

¹⁰⁶ Hoppe (2003).

- FRIEDMAN, D. (1973): *The Machinery of Freedom: Guide to Radical Capitalism*, Open Court Publishing Co.
- GORDON, D., ed. (1998): *Secession, State and Liberty*, New Brunswick, New Jersey, Transaction Publishers.
- HAYEK, F.A. (1982): *Law, Legislation and Liberty*, London, Routledge.
- (1988): *The Fatal Conceit: The Errors of Socialism*, London, Routledge.
- HELLER, M. (1998): «The Tragedy of the anti-Commons», *Harvard Law Review*.
- HOPPE, H.H. (1988): *A Theory of Socialism and Capitalism*, Las Vegas, University of Nevada.
- (2000): *Democracy: The God That Failed*, New Brunswick, Transaction Publishers.
- (2003) ed.: *The Myth of National Defense*, Auburn, Al., Ludwig von Mises Institute.
- HUERTA DE SOTO, J. (2010): *Socialism, Economic Calculation and Entrepreneurship*, Edward Elgar Publishing.
- JOHNSON, R.C.B. (n.d.): «Non-Territorial Governance, Mankind's Forgotten Legacy.», <http://www.panarchy.org/johnsson/review.2005.html> (accessed August 09, 2012).
- KARSTEN, F. and BECKMAN, K. (2011): «Beyond Democracy», self-published.
- KINSELLA, S. (2008): *Against Intellectual Property*, Auburn, Al., Ludwig von Mises Institute.
- LEFEVRE, R. (1966): *The Philosophy of Ownership*, Auburn, Al., Ludwig von Mises Institute (2007).
- LIU, S.S. (1925): *Extraterritoriality - Its Rise and Its Decline*, New York, Columbia University.
- LONG, R. (2002): «Privatization, Viking Style: Model or Misfortune?», <http://www.lewrockwell.com/orig3/long1.html> (accessed August 09, 2012).
- MISES, L. von (1921): «Economic Calculation in the Socialist Commonwealth», *Collectivist Economic Planning*, London, Routledge, pp. 87-130.
- (1949): *Human Action*, San Francisco, Fox & Wilkes (1996).
- (1927): *Liberalism*, New York, The Foundation of Economic Education (1985).

- (1919): *Nation, State and Economy*, Institute for Humane Studies (1983).
- (1922): *Socialism*, New Haven, Yale University Press (1962).
- (1962): «The Ultimate Foundation of Economic Science», Princeton, New Jersey, D. Van Nostrand Company, Inc.
- MOLINARI, G. de (1849): *The Production of Security*, Auburn, Al., Ludwig von Mises Institute (2009).
- NOCK, A.J. (1943): *Memoirs of a Superfluous Man*, Auburn, Al., Ludwig von Mises Institute (2007)
- POWELL, J.B. (1925): «Extra-territoriality», *China Weekly Review*, June, pp. 9-11.
- PULSANO, Ph., WOLF, K., ACKER, A., and FRY, D. (1993): *Medieval Scandinavia: An encyclopaedia*, Taylor & Francis.
- RAND, A. (1966): *Capitalism: The Unknown Ideal*, New American Library.
- ROTHBARD, M. (1973): *For a New Liberty*, Auburn, Al., Ludwig von Mises Institute (2006).
- (1982): *Ethics of Liberty*, New York, New York University Press (1998).
- (1981): «The Laissez-Faire Radical: A Quest for the Historical Mises», *Journal of Libertarian Studies*, n.º 3, pp. 237-253.
- RUNOLFSSON, B.T. (n.d.): «Ordered Anarchy: Evolution of the Decentralized Legal Order in the Icelandic Commonwealth», <https://notendur.hi.is/~bthru/iep.htm> (accessed September 02, 2012).
- SAMUELSSON, P.O. (n.d.): «Mises om Anarkism», *Nattvaktaren*, <http://www.nattvakt.com/nnv/110318misesomanarkism.htm> (accessed August 9, 2012).
- SCHAFFER, B. (2009): *The Boundaries of Order: Private Property as a Social Order*, Auburn, Al., Ludwig von Mises Institute.
- SCHUMPETER, J.A. (1942): *Capitalism, Socialism and Democracy*, Taylor & Francis (2003).
- SCOTT, S.P. trans. (1910): *The Visigothic Code*, Boston, Boston Book Company.
- SMITH, A.T. (1989): *Time and Public Policy*, University of Tennessee Press.
- STRINGHAM, E. and ZYWICKY, T.J. (2011): *Hayekian Anarchism*, George Mason University.

- TANNEHILL, L. and MORRIS (1970): *The Market for Liberty*, San Francisco, Fox & Wilkes (1993).
- WEBER, M. (1919): «Politics as a vocation», *From Max Weber: Essays in Sociology*, New York, Oxford University Press (1946), pp. 77-128.
- WHISTON, Th. (2002): «Medieval Iceland and the Absence of Government», <http://www.mises.org/daily/1121> (accessed September 02, 2012).

