

The Political Forum

*A review of social and political trends and events
impacting the world's financial markets*

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In The Land Of The Blind, The One-Eyed Dollar Is King

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As regular readers of these pages know, I have been a Euro-skeptic ever since the cabal of Euro-planners signed the Maastricht Treaty in December, 1991.

My most recent comprehensive look at the subject was in a May 20, 1998 article entitled “A Specter Is Haunting Europe—The Specter of ‘Planning.’” In keeping with my customary bent toward understatement, I noted in that piece my belief that it is probable that “the adoption of the Euro will be to 21st century Europe, what the killing of the Archduke Ferdinand was to 20th century Europe; i.e., that point in time when history will record that the unraveling began in earnest.”

My most recent comment on the subject appeared in the December 9, 1998 annual “Fearless Forecast” issue, where I predicted that the Euro would “come under heavy pressure” by the end of 1999.

I got to thinking about these articles last week as I watched, on several business news TV shows, a seemingly endless parade of economists from around the world attempting to explain the recent weakness in the Euro. Some were pretty smart. Some were as dumb as doorknobs. All discussed the various “measures” that the Euro-planners are taking to “boost the European economy.” But none that I saw mentioned the obvious, namely that socialism, the “second way” so to speak, doesn’t work very well.

It is true, of course, that a device can be rigged up that will enable an ox to push a cart up hill. And it is true that such a device can be improved upon with a little time and effort. In fact, it might even be made to look rather elegant while functioning. But it strains credulity to believe that such a device will ever work as well having the ox simply pull the cart up the hill. Euclid never said this, of course, but I am quite certain that he would have if he had known that someday, someone would have been stupid enough to want an ox to push a cart up a hill.

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It would be nice if I could take credit for having done some “in depth” economic analysis in order to arrive at this observation, along with its practical corollary, namely that the Euro is not destined to “rival the dollar as an international currency” anytime soon. But in truth, all I did was recall some of the thoughts of the great, 20th century Austrian economists, Eugene Bohm-Bawerk, Ludwig von Mises, and Frederick Hayek, whose observations about socialism’s shortcomings ring as true today as they did during the first half of the century when they were fresh.

In both articles, I cited the same quotes from Hayek about how socialist “planning” works, or more accurately, doesn’t work. They came from his 1943 classic, *The Road to Serfdom*, in which he described, with what turned out to be extraordinary accuracy, the horrors that eventually beset socialist societies. Having run these quotes twice already, I won’t do so again this week. I have instead chosen a different selection from Hayek’s delightful book. They are as follows.

Where the precise effects of government policy on particular people are known, where the government aims directly at such particular effects, it cannot help knowing these effects, and therefore it cannot be impartial. It must, of necessity, take sides, impose its valuations upon people and, instead of assisting them in the advancement of their own ends, choose the ends for them. As soon as the particular effects are foreseen at the time a law is made, it ceases to be a mere instrument to be used by the people and becomes instead an instrument used by the lawgiver upon the people and for his ends. The state ceases to be piece of utilitarian machinery intended to help individuals in the fullest development of their individual personality and becomes a "moral" institution--where "moral" is not used in contrast to immoral but describes an institution which imposes on its members its views on all moral questions, whether these views be moral or highly immoral. In this sense the Nazi or any other collectivist state is "moral", while the liberal state is not.

That democratic socialism, the great utopia of the last few generations, is not only unachievable, but that to strive for it produces something so utterly different that few of those who now wish it would be prepared to accept the consequences, many will not believe until the connection has been laid bare in all its aspects. [Italics not in original.]

And mostly just for fun, in honor of the falling Euro, I have also decided to offer a 75-year-old observation from von Mises about the nature of the Euro project.

Today, millions are fascinated by the plan to transform the whole world into a bureau. To make everybody, a bureaucrat. And to wipe out any private initiative. The paradise of the future is visualized as an all embracing bureaucratic apparatus. The most powerful reform movement that history has ever known, the first ideological plan not limited to a section of mankind only, but started by people of all races, relations, religions and civilizations ends at all one bureaucratization. The post office is the model for the construction of the new Jerusalem. The post office clerk is the prototype of future man. Streams of blood have been shed for the realization of this ideal.

And finally, I offer a thought from Bohm-Bawerk, in honor of Germany's economic genius, Herr Schroeder, who is said to have been, well into adulthood, a fan of Karl Marx. Bohm-Bawerk, who is credited with having discovered the concept of the time value of money, was once described by Joseph Schumpeter as the "bourgeois Marx," because of his early recognition of the folly of Marxism.

I consider it utterly out of the question to suppose that this dialectical hocus-pocus [the labor theory of value] furnished the source and justification of his conviction, for Marx himself. I cannot believe that this represents the procedure by which he originally attained conviction. I consider Marx an intellect of the very first order. And I believe it would have been impossible for a thinker of his caliber to seek the truth by paths that are in their very nature so devious and unnatural. Nor could a mind of such stature have blundered through sheer mischance or adverse fortune into all the errors of logic and of method I have described. I believe the true situation was quite otherwise. I do not doubt that Marx was really and sincerely convinced of his thesis. But the reasons for his conviction are not the ones he wrote into his system. He believed in his thesis as a fanatic believes in his dogma.

I am aware, of course, that the "Euro-planners" are making changes. Herr Schroeder reportedly has been particularly aggressive in his attempts to make the "second way" work better. In addition, he is said to be studying what he views as a new system, a "third way" so to speak. Details are lacking, but preliminary reports indicate that under this plan an ox is finally placed in front of the cart. But, from what I can gather, the old ox is still behind it, only this time he is pulling the other way, rather than pushing. Time will tell.

In any case, the important thing to keep in mind while watching Europe struggle with its "second way," or "third way," or as Bob Dole would put it "whatever," is that all the big shots involved in the economic and political processes, including Schroeder, have invested their entire lives in trying to get the ox to push the cart up the hill efficiently. So look for bells, whistles, decorative fringes, bric-a-brac, tinsel and possibly a blue ribbon for the ox. But don't look for Europe's cart to move up the hill efficiently anytime soon.

In the meantime, in the good old U.S. of A., herds of oxen are pulling carts up the hill with alacrity, day in and day out. The carts are, of course, laden with an enormous amount of baggage, including gaggles of useless bureaucrats, reams of useless federal regulations, and a growing agglomeration of burdensome corruption. But the oxen are at least in front of the carts, and the carts keep going up the hill.

There are, of course, powerful people who are determined to move the oxen around to the backs of the carts, or, in honor of Europe's "third way" idea, to hook some onto the back to pull the other way.

But it should be kept in mind while watching this process that capitalism has held up pretty well in the United States during the past seven years, given the leftist leanings of Bill Clinton and his consummate political skills.

When Bill declared, upon taking office, that his plans included the nationalization of the nation's entire health care system, a giant boost in federal spending, and the largest tax increase in the nation's history, the American people turned control of both houses of Congress over to the Republicans as quickly as they could. And they have kept the Republicans in charge there ever since.

Furthermore, it is, in my opinion, highly likely that one of the legacy's of Bill's eight year stay at the White House will be GOP control of the presidency and both houses of Congress, the first time this has happened since 1952.

And while conservatives like myself can complain that these Republicans won't go as far as we would like in reducing the size and power of government, it is unquestionable that the pace of socialist advancement will slow considerably under their watch.

And finally, unlike Europe, the United States is spawning a huge and growing phalanx of support for capitalism in the form of the broadest ownership of equities of any society in the history of the world. The result of this is that no matter who takes charge of the U.S. government in 2001, he or she will have to be stock market friendly, if he or she wishes to govern.

The In short, to mix in a new metaphor, in the land of the blind, the one-eyed dollar is still king, and, in my opinion, likely to stay that way for quite some time.

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