

# The Political Forum

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

---

Mark L. Melcher  
President  
melcher@thepoliticalforum.com

Friday, February 14, 2003

## **A REPRINT FROM A PIECE PUBLISHED MAY 20, 1998**

### **A SPECTER IS HAUNTING EUROPE – THE SPECTER OF “PLANNING”**

**Mark L. Melcher  
Stephen R. Soukup**

Psst! You wanna know a secret. The Euro, and the mess it represents, is going to be a social, economic and political catastrophe. Indeed, I think it is probable that the adoption of the Euro will be to 21st century Europe, what the killing of the Archduke Ferdinand was to 20<sup>th</sup> century Europe; i.e., that point in time when history will record that the unraveling began in earnest.

Exaggeration? Hyperbole? Well, maybe. But maybe not. You see, the problem isn't, as most critics claim, simply that the "policy makers" from the various "regions," will fight over economic and monetary policy, and that the economic ignoramuses might win. The problem is that economic ignoramuses are likely to be the only ones at the table.

Thomas Jefferson wanted his daughter Patsy's education to extend beyond poetry and literature (the customary fare for a young woman of that time) to the "graver sciences" because he worried that the chances of her marrying a "blockhead" were fourteen to one, and he was concerned that "the education of her family would rest on her own ideas and direction without assistance."

Well I think the odds are much greater than 14-to-1 that everyone involved in making economic policy under the new European order will be an economic blockhead.

Why? Well, by trade and by inclination, everyone who has been involved in this process from the very beginning is a "planner." Non-planners aren't welcome and never have been. The entire process, which began with the approval of the Maastricht treaty in December 1991, has been about "planning" from the very beginning. And "planning" is just a nice word for socialism. And socialism doesn't work. It's that simple. This isn't rocket science.

Early on, Maastricht was billed as a pathway to a "United States of Europe." But that concept never had a chance. There was never any question that the "planners" would control the process,

---

Subscriptions to The Political Forum are available by contacting:  
The Political Forum  
8563 Senedo Rd., Mt. Jackson, Virginia 22842  
Tel 540-477-9762, Fax 540-477-3359, Email melcher@thepoliticalforum.com,  
or visit us at www.thepoliticalforum.com

and that the outcome would therefore not be a “United States of Europe,” but a vast new socialist experiment, built on the rubble of the old, smaller ones that blight the European economic landscape today.

The only hope that the citizens of Europe had of avoiding a complete and total takeover by a whole new gaggle of “planners,” who are even more powerful and distant from them than the ones each nation individually supports now, was to hold on to their individual currencies. The Euro will doom that chance, and the dye will be cast.

The United States has “planners,” of course. They are called liberals. And if they could, they would do exactly as Europe's “planners” have done. They would create a massive and deeply corrupt welfare state with chronic high unemployment, chronic labor unrest, and gross inefficiencies. But they can't.

It is true that since the mid-1930s, American liberals have exercised enormous influence over economic affairs. And I think a case can be made that they have done extensive damage to the nation's social fabric and to its economic health during that period. But they have never come close to wielding the kind of power their European counterparts have, largely because they have been up against a strong tradition of entrepreneurial, free market capitalism and rugged individualism, which dates to the landing of the first English settlers in the early 16<sup>th</sup> century.

They have also had to contend with the fact that America has been, since its founding, a deeply religious nation, or as Chesterton put it, “a nation with the soul of a church.” As such, it has a built-in aversion to socialism.

In short, American liberals are pale beer when compared to European socialists. Their history is short and their intellectual roots are shallow, most especially when it comes to economic thought. American schools don't routinely teach Marx, or any other far left socialist economist. Keynes is as close as they come, and his influence has been waning steadily for years.

The heroes of the American left are, for the most part, politicians and Hollywood celebrities who “care.” In fact, America has produced no truly great leftist thinkers. The prototype, and arguably the most famous, was Thorstein Veblen, a turn-of-the-century class-baiter and one of the nation's first “social engineers.” But he was not destined to be the center of a long-lasting intellectual cult. Mencken described him as follows.

“It was the astoundingly grandiose and rococo manner of their [Veblen's ideas] statement; the almost unbelievable tediousness and flatulence of the gifted headmaster's prose; his unprecedented talent for saying nothing in an august and heroic manner. There are tales of an actress of the last generation, probably Sarah Bernhardt, who could put pathos and even terror into a recitation of the multiplication table. Something of the same talent, raised to a high power, was in this Prof. Veblen. If one tunneled under his great moraines and stalagmites of words, dug down into his vast kitchen-midden of discordant and raucous polysyllables, blew up the hard, thick shell of his almost theological manner, what one found in his discourse was chiefly a mass of platitudes—the self-evident made horrifying, the obvious in terms of the staggering.

Marx, I dare say, had said a good deal of it long before him. And what Marx overlooked, had been said over and over again by his heirs and assigns. But Marx, at this business, labored under a technical handicap; he wrote in German, a language he actually understood. Prof. Veblen submitted himself to no such disadvantage. Though born, I believe, in These States, and resident here all his life, Veblen achieved the effect, perhaps without employing the means, of thinking in some unearthly foreign language--say Swahili, Sumerian or Old Bulgarian--and then painfully clawing his thoughts into a copious but uncertain and book-learned English. The result was a style that affected the higher cerebral centers like a constant roll of subway expresses. The second result was a sort of bewildered numbness of the senses, as before some fabulous and unearthly marvel. And the third result, if I make no mistake, was the celebrity of the professor as a "great thinker."

America's brand of socialism can be traced to the early 19<sup>th</sup> century utopians, people like Charles Fourier and Robert Owen, both of whom were brilliant failures. The result is that American liberals are, for the most part, sentimental egalitarians. The impetus behind their efforts is a sort of self-congratulatory benevolence. To use Orwell's *Animal Farm* as a chronological progression for socialism, American liberals still are at that point where they pay lip service to the sign in the barn that reads "All Animals Are Equal."

Europe's socialists are a different breed. There is little if any idealism among them. They have been in charge for too long for that. Like the pigs in *Animal Farm*, they changed the "All Animals Are Equal" sign shortly after taking control, well over 100 years ago, to read "All Animals Are Equal But Some Animals Are More Equal Than Others."

The idealistic socialism of the early 18<sup>th</sup> century utopians never took root on continental Europe. European socialism has always been nurtured more by fear than by altruism; fear that began during the revolutions that swept the continent in 1848 and that has continued in one form or another ever since, and which today manifests itself in a fear of "another European war." German Chancellor Helmut Kohl expressed this latter fear directly with his famous remark that European integration is "a question of war and peace."

It is probably fair to say that Europe lost its chance of escaping the "planners" just over 100 years ago during the famous intellectual battle, the so-called Methodenstreit, between Carl Menger, the first of the great Austrian free-market economists, and Gustav von Schmoller, Bismarck's one-man economic brain trust.

Modern economic historians acknowledge that Menger, one of the great pioneers in modern economics, won the day intellectually. But Schmoller prevailed in the more important arena of European academia, and the rest is history. Jurg Niehans, in his excellent book, *A History of Economic Theory*, argues that "the closing of the German academic market to adherents of Carl Menger by Gustav Schmoller . . . set back German economics for seventy years, indirectly perhaps to the present day."

Bismarck is widely credited with the dubious distinction of being the founder of "welfare capitalism" because his efforts led to the passage of the first package of social security laws in the 1880s. But it was Schmoller's two-decades of exhaustive work in the German social

bureaucracy, including a term as chief of the “Socialists of the Chair” (the Kathedersozialisten), and as founder of the so-called “Younger Historical School” of economists, that provided the intellectual underpinning for Bismarck’s efforts.

It is worth noting, in this context, that the driving force behind the efforts of both Schmoller and Bismarck was not altruism, but fear; fear that the German proletariat, driven by Socialists and Communists, would resort, once again, to revolution if some process weren’t adopted to bring them into the mainstream of German society.

Ludwig von Mises, one of the great Austrian economists who followed in the giant footsteps of Menger, maintained in his classic 1922 book, *Socialism*, that Bismarck’s social security scheme was “a more momentous pioneering on the way towards socialism than was [Lenin’s] expropriation of the backward Russian manufacturers.”

The bottom line on all of this is that instead of a “United States of Europe,” Europeans are about to find themselves being driven, once again by fear, into an even deeper socialistic orgy of “planning” than any of them are in now. The roots of socialism are simply too deeply planted in the soil of European society for the Euro process to end in any other way.

The near-term consequences of this action will be that a small group of “planners” will take over virtually all responsibility for the economic affairs of the combined nations. And when the dust settles, individual Europeans will be left to wonder what happened to all the grand promises of “great prosperity,” and what happened to the demos in their democracies. F.A. Hayek, another of Menger’s great protégés, described this process in detail some fifty-four years ago in his famous book *The Road To Serfdom*.

It is not difficult to see what must be the consequences when democracy embarks upon a course of planning which in its execution requires more agreement than in fact exists. The people may have agreed on adopting a system of directed economy because they have been convinced that it will produce great prosperity. In the discussions leading to the decision, the goal of planning will have been described by some such term as “common welfare,” which only conceals the absence of real agreement on the ends of planning. Agreement will in fact exist only on the mechanism to be used. But it is a mechanism which can be used only for a common end; and the question of the precise goal toward which all activity is to be directed will arise as soon as the executive power has to translate the demand for a single plan into a particular plan. Then it will appear that the agreement on the desirability of planning is not supported by agreement on the ends the plan is to serve. The effect of the people's agreeing that there must be central planning, without agreeing on the ends, will be rather as if a group of people were to commit themselves to take a journey together without agreeing where they want to go: with the result that they may all have to make a journey which most of them do not want at all.

It may be the unanimously expressed will of the people that its parliament should prepare a comprehensive economic plan, yet neither the people nor its representatives need therefore be able to agree on any particular plan. The inability of democratic assemblies to carry out what seems to be a clear mandate of the people will inevitably

cause dissatisfaction with democratic institutions. Parliaments come to be regarded as ineffective "talking shops," unable or incompetent to carry out the tasks for which they have been chosen. The conviction grows that if efficient planning is to be done, the direction must be "taken out of politics" and placed in the hands of experts--permanent officials or independent autonomous bodies.

Where this journey "which most of them do not want at all," guided by these "experts," eventually ends up is anyone's guess. But given that socialism has been an unmitigated economic, political and social disaster wherever it has been practiced, my guess is, as I said at the beginning of this piece, that it will not be to a very nice place. More specifically, I think that during the next decade, Europeans will find that their "planners," have done the following.

O Exacerbated the racial and ethnic hatreds that have plagued Europe for centuries.

O Exacerbated the class tensions that have plagued Europe for centuries.

O Added layers of new and expensive bureaucratic bloat to the already-heavily burdened back of the European industrial base.

O Intensified the antagonism and distrust that many Europeans already feel for their political leaders.

O Increased the already rampant corruption in both the private and public sectors.

O And most probably, prompted terrorist reactions by disgruntled nationalist organizations, which are certain to spring up in virtually every member country in response to the feeling of helplessness and hopelessness that is bound to result from having to deal with the new, more powerful, "big brother."

Regarding this latter point, I believe that imposing a huge new layer of bureaucracy upon the rotting foundations of many older layers for the purpose of preventing the outbreak of a new Franco-German war is like filling a bathtub with shark repellent.

Does anyone seriously think that today's Europeans are actually going to go to war with each other? And lose their government handouts? Not only do I think that this is a specious argument, but I think that those who make it know it is specious. I have seen this argument presented in numerous ways. But I have yet to read a single article that seriously posits the possibility of such a war, or outlines how it might occur.

As I have said before in these pages, my guess is that the wars of the next few decades will not be classic land wars between what we used to call "great powers." I think they will instead be guerrilla wars, carried out in the very heart of the Western world's great urban centers between ruling governments and a variety of terrorist groups, some driven by nationalist-based complaints, some driven by international complaints, some driven by religious complaints, and some driven by pure madness.

If I am correct about this, the unification of Europe under a huge new group of nameless, faceless bureaucrats, will not help prevent war, but will more likely be an impetus for an outbreak of a new kind.

---

**THE POLITICAL FORUM**

Copyright 2002. The Political Forum. 8563 Senedo Road, Mt. Jackson, Virginia 22842, tel. 540-477-9762, fax 540-477-3359. All rights reserved. Information contained herein is based on data obtained from recognized services, issuer reports or communications, or other sources believed to be reliable. However, such information has not been verified by us, and we do not make any representations as to its accuracy or completeness, and we are not responsible for typographical errors. Any statements nonfactual in nature constitute only current opinions which are subject to change without notice.