



Economic Freedom and Interventionism

Ludwig von Mises

Reprinted from the foreword to Understanding the Dollar Crisis by Percy L. Greaves, Jr. (Western Isl 1973).

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Understanding the Dollar Crisis

The seven lectures that Professor Percy L. Greaves, Jr., delivered in June 1969 before the *Centro de E sobre la Libertad* in Buenos Aires deal with the fundamental economic problems; they are about "human life," about "the ideas that motivate human beings," about "the most important and interesting drama of human action."

To us, mortal human beings as we are, the universe appears as consisting of two different fields or regions: the field of events human action is able to influence to some extent and the field of events that are beyond the reach of any human action. The line that separates these two regions from one another is not rigidly fixed forever. We know that in the course of history man has acquired the knowledge and the power to accomplish things that to earlier generations had appeared as simply impossible. But we know also that certain things never and will never be achieved by any human action, that man can and will never become omnipotent.

The history of mankind appears to us as the history of the progressive expansion of man's knowledge. We call the laws that determine the course of all changes going on in the universe. But we do not affirm, assume or believe that this expansion of our knowledge will give to man one day something that could be called omniscience.

Man tries to learn as much as he can learn about the operation of the powers and factors that determine the mutual relations between the various elements that constitute the world, and he tries to employ this knowledge in attempts to influence the course of affairs. Man acts; that means, he tries to bring about certain effects. He aims at ends chosen. He is not, like the inanimate things and like the non-human animals, a puppet of the forces that have produced him and determine his environment. His endeavors to attain definite ends chosen are a factor cooperating in the emergence of the future state of world affairs.

The Gold Standard

The historical evolution of mankind's economic cooperation, which culminated in attempts—by and large successful—at establishing a world-embracing system of the division of labor and the international exchange of commodities and services, gave to the metal gold the function of a generally employed medium of exchange. It is idle to raise the question of what would have happened if such a thing as gold had not been available for use as a generally employed medium of exchange.

The gold standard made the marvelous evolution of modern capitalism technically possible. It led to the establishment of the modern methods of banking. But the businessmen who had developed them lacked the intellectual power to resist successfully the attacks upon the operation of the monetary and banking principles, the strict observance of which is absolutely necessary to make the system work and to prevent its collapse.

catastrophic breakdown. If the determination of the quantity of money—the generally employed medium of exchange in transactions—were subject to actions on the part of any individuals or groups of individuals whose material interests would be affected by changes in the purchasing power of the monetary unit, the system would not have been able to avoid a complete collapse. Neither inflation nor deflation is a policy that can last.

The eminence of the gold standard consists in the fact that geological conditions strictly limit the amount of gold available. This has up to now made the operation of a gold currency system possible.

These seven lectures are not merely a substitute for a textbook on economics. They are much more. They are an attempt to analyze and to explain the meaning and the effects of the various systems, methods, and measures of economic policies.

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