

Notas

POLITICAL UNION? SOME CRITICAL REFLECTIONS

OTMAR ISSING*

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This conference brings together an impressive number of eminent politicians, outstanding representatives from business, public administration and academia. Notwithstanding nuances there seems to be a broad consensus that the crisis has demonstrated not only that we need more Europe, but also —having read many contributions— how this «more Europe» should be realized.

Bearing in mind the atrocities of two World Wars, the separation of Europe by the iron curtain, the challenge stemming from globalisation and a rapidly changing world who would not support the project of a strong and prosperous Europe to guarantee peace in this sphere and to assert, if not enhance its position in the world. However, agreement on the goal does not necessarily imply agreement on the way and the tools by which this end can be achieved.

While the positions presented at this conference and at many other occasions have been straightforward and firm, my position is much more cautious. I will, in fact, mainly raise a number of questions.

«If the Euro fails, Europe will fail», is Chancellor Merkel's dictum. I am critical on this. The Euro, not to mention Europe is not at stake. What is at stake is the euro zone, and by that I mean the composition of the euro zone rather than the euro zone itself.

A popular argument is that the crisis confronts «Europe» —or rather EMU— with two alternatives. Either political integration

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is strengthened with the «finalité» of political union or monetary union is doomed to collapse.

Is this not turning upside down the initial idea that a flourishing monetary union would function as a pacemaker for political union? Remember J. Rueff's slogan (1950): «L'Europe se féra par la monnaie ou ne se féra pas.» The former German president von Weizsäcker once claimed that it is only via a single currency that we would achieve a common foreign policy. And he remarked that this avenue would be anything but cheap. At least on that point he was right. Yet, has the intensified effort of keeping EMU together brought us nearer to a common foreign policy?

Isn't, indeed, the opposite true that the crisis has sparked resentments in almost all countries—independent of being receivers or lenders of financial aid—resentments which we hoped had disappeared more than 60 years after World War II? With this experience in mind is the conclusion from the crisis of EMU, integration did not go far enough, really justified? Politics made a courageous decision to start monetary union on 1 January 1999, and with such a heterogeneous group against strong warnings. This risky approach was later continued. Fundamental principles on which EMU was based were violated time and again. I mention only the Stability and Growth pact, and in first place the no-bail-out principle. As sovereign states did not deliver on their commitments, sovereignty has to be ended now? - a hardly convincing argument.

And isn't the idea that intermediate steps like the introduction of a kind of European financial authority—e.g. in form of a European finance minister or a Commissioner with far reaching competencies—make crisis management much more efficient and conducive for further political integration a dangerous illusion? Authority on taxes and public expenditure is a fundamental prerequisite of parliament and the sovereign in a democracy. In short: All measures that implicitly pre-empt the establishment of political union in this field are inconsistent and dangerous. They imply huge financial risks for some member countries and could not only undermine honourable efforts in the direction of political union, but also destroy the fundament on which such a process finally rests, namely the identification of the people with the European idea.

Another topsy-turvy case can be observed in the argumentation of Jürgen Habermas. I quote him because he is by many regarded as an undisputable authority (see J. Habermas, *Europe - The Faltering Project*). He complains that an «elitist approach» was so far applied. «The liberal economic forces driving this mutually beneficial dynamics were sufficiently strong to ensure the construction of the requisite institutions “from above”, through an agreement between the political elites of the member states» (p. 80). One could dispute to what extent this is true—a referendum e.g. in France on the Maastricht Treaty, but not in Germany— however in his anti-market resentment he ignores that it was exactly the concept based on competition within a single market and the idea of the euro as a stable currency which made the project popular. This popularity has declined to the lowest level in the context of the crisis. And in such an environment, is the Habermas idea of a «bottom-up» approach to political integration in essence not the extreme of an «elitist» programme?

There is a fundamental flaw in the position of Habermas – and many others. The attractiveness of «Europe» to a high degree rests on its economic success, on growth and employment. This is also the indispensable basis for Europe’s political role in the world. The crisis has brought new, convincing evidence for the observation that those countries perform best that dispose of a higher degree of flexibility in labour markets, less protective regimes for business and professions, and modest taxation. Such a regime is denounced by Habermas and followers as «neo-liberalist» although no country in reality comes close to this.

The famous Blair-Schröder paper of 1999 has asked for a benchmarking based on best practice. The Lisbon agenda, e.g. with the goal to make the EU «the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion», was doomed to fail from the beginning. Is this failure an argument to try it again with a «more Europe» approach? Is it an argument for European economic governance, harmonisation and centralisation of policies? This is the widespread belief, it is also the message of most papers presented at this conference.

Because of time constraint I refer to only one example. President Barroso in his «State of the Union 2012 Address» (Strasbourg, 12 September 2012) e.g. claimed: «A true political European Union means we must concentrate European action on the real issues that matter and must be dealt with at the European level» (p. 10). And: «To deliver lasting results, we need to develop a fully equipped Community economic governance together with a genuine, credible Community fiscal capacity» (p. 8).

In short – the Commission asks for more competence, more power. This certainly is anything but surprising. Yet, is harmonisation of taxes, a larger budget, a new industrial policy the avenue for higher growth, more and better jobs? Remember, it was a purely national initiative when G. Schröder implemented the Agenda 2010 – a major contribution to Germany's economic performance.

Economic theory and historical experience tell a different story. In the tradition of the seminal work by Douglas North numerous other studies have demonstrated that competition between states and regions laid the ground for progress and growth. This was the basis for Europe becoming the most dynamic, prosperous region in the world. True, it was also a time of wars. However, is centralisation a guarantee for safeguarding peace?

The fundamental problem in many approaches is that they start from and are based on a mechanistic approach to economic policy. Harmonisation and coordination, centralisation of decisions are seen as the tool, the panacea to all kinds of problems. Should one not start from the experience that appropriate institutions, private property rights and competition, a growth friendly tax system and solid fiscal policies are the basis for economic success? (see e.g. the recent work by Daron Acemoglu and James Robinson: *Why Nations Fail*, New York 2012). How would a European concept look like if one would not indulge in a seemingly ideological concept but develop a framework which would really help to turn Europe into a dynamic and prosperous region?

In contrast to this challenge a constructivist approach dominates representing a pretense of knowledge which Hayek has unmasked as a recipe for constraint of freedom and economic mediocrity.

A final word on another dimension of Europe. Monnet is said to have claimed at the end of his career that if he had had the chance to start again he would have started the process of European integration with culture. To be frank: This is the dimension which is dear to all of us and where we need and want anything but centralisation. Europe's unique cultural richness is due to wide diversity. Isn't it telling that the fundament for Europe's finest achievements is, indeed, competition between innumerable people, manifold institutions and places? Does the similarity with economic success come by accident?

Another aspect would need much more attention: This is the relation of the 17 euro area countries with the other 10 members of EU not participating in EMU. There is a vast literature on different speeds of integration etc. The basic idea of such concepts was always that the «core», i.e. those countries which go ahead in integration would dominate the future. However, if this core is going in the direction of centralisation and an institutional design which is anything but fostering prosperity, then the orientation of the «outs» might change. Is this a sign that institutional competition cannot be suppressed forever? What kind of «Europe» will emerge under these conditions? The introduction of the financial transaction tax will provide an interesting test.

To conclude: I do not succumb to an obsession against European competences as opposed to national approaches. Economists have developed the concept of externalities and spillovers, identifying fields in which only common action is appropriate to develop efficient solutions. Environmental policy e.g. is such a field. My critique is, however —let me be clear—, directed against the notion that centralisation per se is the solution for Europe's internal problems and the basis for an important role in the world. And to add one last question: After so many violations of legal obligations and commitments, what is the credibility of an approach which is based on the notion that this would end in a regime of strengthened political integration?

I have not discussed the challenge of democratic legitimation and acceptance by the people which is the most important hurdle to further political integration. My intention is merely to put some question marks behind the simple battle cry «We need more Europe.»

LA EFICIENCIA DEL MERCADO, MÁS ALLÁ DE LOS MODELOS MATEMÁTICOS

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I INTRODUCCIÓN

Los años sesenta son el momento en el cual se desarrollaron los estudios académicos dirigidos a plantear la Hipótesis de la Eficiencia de los Mercados (en inglés Efficient Markets Hypothesis, EMH), sin embargo, el primer antecedente es atribuido a Louis Bachelier quien en su tesis, *Teoría de la Especulación*, estableció un modelo matemático para estudiar los comportamientos del mercado, en el año 1900. Como se indica, es un modelo de comportamiento, por lo que considera que el mercado tiene un comportamiento definido, que es propio como objeto de investigación de la Psicología Social, es decir del mundo del conductismo, y por tanto Positivista.

Hay quienes piensan que el mercado bursátil es un «casino» y quizá el más señero representante de esa tesis es J.M. Keynes. A pesar de ser él mismo un asaz especulador, afirma en su *Teoría General*,¹ cuando se refiere al mercado como el juego infantil de las sillas y la música que de tanto en tanto se detiene, para dejar a alguien siempre de pie, por tanto perdiendo el juego en cuestión.

Algunos otros creen que el estudio, el análisis y los conocimientos de los mercados otorgan una ventaja y consideran que los mercados de inversión pueden ser predichos con anticipación.

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¹ Keynes (1981), pp. 145-146.

Por supuesto, también hay quienes consideran que el comportamiento del mercado es azaroso y que sigue lo que llaman una caminata aleatoria. Afirmando que si es así, entonces los mercados funcionan bien como sistemas de ahorro para el público y de financiación para las empresas, pero los sustentadores de esta teorías hacen la salvedad que este es el comportamiento de los mercados desarrollados o globalizados.

La teoría de la EMH se basa en que el precio de los títulos negociados en bolsa tienen incorporada toda la información que es conocida por los inversionistas, intermediarios y en general por todos los actores del mercado, lo que significa que han descontado en su apreciación las expectativas que ellos guardan sobre el futuro. Por tanto, es imposible lograr superar los resultados del mercado, y la única manera de batirlo es, contando con suerte o teniendo acceso a información privilegiada.² Dado que las noticias que afectan a un título se deberían reflejar en tiempo real en el precio de las acciones, el proceso por el cual ocurre esto es aleatorio y no puede conocerse anticipadamente.

Es importante dejar claro que la teoría de la EMH acepta la posibilidad de que existan comportamientos irracionales, debido a que los inversionistas generalmente *sobrerreaccionan* o *infra-reaccionan* ante las noticias de una manera aleatoria. Por lo cual, el mercado es quien se comporta de una manera irracional durante un plazo largo, y los eventos como depresiones de la economía y *crash* del mercado, son compatibles con la EMH siempre y cuando no sean predecibles.

La EMH, es y ha sido una teoría bastante discutida. Hay quienes la validan pero también quienes la refutan, su fundamentación está en que los mercados tienen memoria en el largo plazo y que existen ineficiencias del mercado que dan lugar a beneficios extraordinarios, pero estos beneficios son temporales.

² El criterio generalmente aceptado de información privilegiada implica que aquellas personas o instituciones que estén vinculadas de manera directa o indirecta, en las actividades relacionadas con los mercados de valores deben garantizar la confidencialidad en los datos relevantes, y especialmente, impedir que alguien disponga de esta información, que se denomina *privilegiada* y que el gobierno debe procurar garantizar la transparencia de los mercados y castigar judicialmente el uso de esta información privilegiada y la manipulación de los mercados.

El presente documento, será una revisión del estado del arte en el «mainstream» y un planteamiento de la eficiencia dinámica, como alternativa para entender el mercado financiero.

II DESARROLLO TEÓRICO

1. La Eficiencia del Mercado

De acuerdo a lo expuesto en la teoría, la eficiencia del mercado está relacionada con el proceso de formación de los precios de las inversiones en su propio mercado, y tiene implícitas las premisas: 1) que las rentabilidades esperadas deben estar en equilibrio y en función del riesgo inherente, es decir, deben reflejar un precio justo, entendiendo esta justeza como el reflejo del valor presente de los flujos de caja descontados, es decir aquel que refleje la información relevante; 2) que las variaciones en los precios deben ser independientes, es decir, con una correlación entre ellos a lo largo del tiempo, igual a cero. Este es el fundamento para que los precios obedezcan a un comportamiento aleatorio y además, que las rentabilidades históricas no tendrán ninguna influencia sobre las rentabilidades futuras.

El primer trabajo, el de Bachelier, se inspiraba en el llamado movimiento browniano, también caminata aleatoria, o deambular del marino ebrio, que son trabajos que se desarrollaron en el siglo XIX con la intención de estimar el movimiento de un grano de polen en un medio líquido. Es decir, un fenómeno de laboratorio, que ni siquiera se da en la naturaleza donde no actúa ninguna mente humana, incluso el movimiento de un grano que no es un ser vivo, sino un corpúsculo floral. Tratando de extrapolar este fenómeno con el mundo de las ideas que vive en un mercado, como es el mercado financiero.

Desde los años sesenta se ha propuesto la teoría de la EMH, que se ha encargado del estudio del comportamiento de las cotizaciones bursátiles, para verificar que los precios de las acciones reflejan la mejor y más completa información disponible. Según ésta teoría, si el mercado es eficiente, los inversionistas no pueden

vencer en forma constante a un índice simple de precios de acciones (el cual representa el mercado).

Cootner (1962: 24-45), expresó el concepto de eficiencia del mercado de la manera siguiente:

Aunque los compradores o vendedores individuales pueden actuar con ignorancia; tomados como un todo, los precios de tal mercado reflejarán la mejor evaluación del conocimiento disponible en cada momento. Si un grupo sustancial de inversores pensara que los precios son demasiado bajos, sus compras forzarían los precios al alza. La inversa también sería cierta para los compradores... En este ámbito, las únicas variaciones de precio que podrían ocurrir, serían las resultantes de nueva información. Dado que no hay razón para esperar que la información no sea aleatoria en su aparición, las variaciones de período a período, del precio de un valor, deberían ser movimientos aleatorios, estadísticamente independientes entre sí. El nivel de los precios, bajo estas condiciones, describiría lo que los estadísticos denominan un recorrido aleatorio, y los físicos un movimiento browniano.

La afirmación de Cootner es interesante y merece que el analista se detenga a interpretarla a la luz de la lógica teórica. Es cierto, que los inversionistas pueden actuar con ignorancia frente al mercado, y si lo hacen, es porque probablemente fueron exitosos en la aplicación de una decisión similar en una situación anterior, y están experimentando de nuevo en la creencia de que van a obtener el mismo resultado, o están actuando por primera vez, creyendo que esa es la actitud que se debe asumir en la inversión financiera. Pero, no todos los inversionistas actúan de esta manera, hay algunos que actúan de acuerdo a estrategias, que los han convertido en exitosos y probablemente estos, actúen como agentes, de personas que tienen menos conocimiento y no pueden alcanzar toda la información que es necesaria para establecer esas estrategias. Pero, acumular conocimiento y disponer de información no es la única condición del éxito, incluso algunos que pueden actuar de una manera totalmente ignorante, alcanzan un beneficio mejor, la única diferencia quizá, es que el último es incapaz de recrear el fenómeno y aprender de él. Eso sí, el estudioso puede perder tantos recursos monetarios propios o ajenos

en el error, que lo conduciría a no poder recuperarse o perder su credibilidad ante sus «principales» en la relación de agencia. Entonces es importante definir que el gerente de una cartera actúa como un empresario, en un ambiente de cambios constantes e impredecibles, y para subsistir debe tener una especial creatividad así como una habilidad adaptativa que lo hace altamente especializado. Esa perspicacia es mucho más compleja en los mercados de inversión debido a que su ambiente de incertidumbre está acrecentado, frente al mundo de los mercados de bienes de orden cercano al consumo.

Los precios pueden parecer bajos, sin embargo eso no ocasionaría *per se* el alza. Deben presentarse toda una gama de fenómenos que sean analizados por los inversionistas para que sus expectativas cambien haciéndose positivas y conduciendo al mercado a un proceso de alza sostenida. Incluso, esta alza puede ocasionarse sin que signifique un cambio en la expectativa del mercado, porque quienes estén en el mercado con posiciones cortas, deciden cubrir dichas posiciones temporalmente. Si eso conduce a una situación en la que los compradores superen a los vendedores, se experimentará, al menos de manera momentánea, una recuperación en los precios, sin embargo, como la expectativa de largo plazo no ha cambiado, el mercado retornará a su condición bajista; por supuesto, condiciones similares, pero en sentido contrario llevarían a una reacción alcista de los precios. Pero, aunque el comportamiento es azaroso, nunca podría describir, como en la física, una caminata aleatoria, porque el movimiento no es, ni puede ser discreto, y sus probabilidades no seguirían nunca el comportamiento de una función. Porque no existen diferenciales en la medición de los precios en una bolsa, porque tampoco las cantidades pueden ser discretas, no puede negociarse fracciones menores a una acción, y tampoco pueden darse variaciones en los precios que sean menores a la menor fracción de dinero en una economía.

Al poco tiempo, Samuelson (1965) afirmaba que el mercado no necesariamente se comporta como una caminata aleatoria, pero si afirma que el comportamiento de los precios no puede ser pronosticado, debido a que no existe una relación clara entre el comportamiento de los precios pasados y el comportamiento de los

precios en el presente. Esa premisa es perfectamente cierta, porque al estar en un mercado de capitales, el precio de una acción, por ejemplo, no tiene ninguna relación con el pasado. La empresa que está representada por la acción puede haber sido exitosa, y se dirige a la quiebra, o al contrario puede haber estado en situación de atraso y se dirige a obtener ganancias extraordinarias. Si el mercado puede detectar esas situaciones, el precio estará determinado por lo que ocurrirá, no por lo que ocurrió. Por eso ningún modelo que utilice el pasado puede servir para estimar el presente de la valoración de la inversión.

Ahora el trabajo de Samuelson incluyó otros supuestos adicionales: 1) que todas las personas están en la misma disposición de información, sin que esto represente costos adicionales y además 2) que todas las personas tienen el mismo horizonte de inversión y las mismas expectativas. Estos dos supuestos son definitivamente falsos.

Para que las personas posean la misma información, ésta debe ser asequible en el mismo momento para todos, eso es imposible, y aún teniéndola no podría ser analizada con el mismo marco referencial por los participantes, por diversas razones:

1. no tenemos el mismo conocimiento o
2. escoger de la información la parte que nos parece relevante,
3. sencillamente no poseemos la misma información,
4. la procesamos de una manera distinta

Eso es lo que lleva en la realidad a los vendedores a considerar que el precio debería bajar y por eso venden. Al mismo tiempo los compradores a estimar que el precio debería subir y por eso compran. Entonces, de una manera natural, todos tenemos expectativas diversas y además el tiempo en el que creemos que ese proceso se va a dar, debería ser distinto y eminentemente subjetivo. Si existiesen expectativas iguales, nadie podría negociar, porque sencillamente el comprador no conseguiría vendedores, o el vendedor no conseguiría compradores. El tiempo también es relevante, porque si todos tenemos el mismo horizonte de inversión todas las compras se harían en el mismo momento y todas las ventas se harían de la misma manera, pero de nuevo si eso

fuese así, el vendedor no conseguiría compradores y el comprador no conseguiría vendedores, por lo que no habría mercado. Eso lleva las valoraciones al plano de lo subjetivo, porque si tenemos la misma información y un conocimiento y expectativas diversas, entonces la única manera es que las valoraciones sean subjetivas y los tiempos también lo sean. Lo que es perfectamente compatible con el primer supuesto que se analizó antes, es decir que los precios no tienen que ver con el pasado, y que se relacionan con el valor presente de lo que ocurrirá en el futuro y esas expectativas no pueden ser nunca iguales.

Cómo afirma Cootner, puede haber movimientos alcistas o bajistas, pero esto no son producto de una información igualmente distribuida y un conocimiento igualmente distribuido. Ambas condiciones son desigualmente distribuidas en cualquier sociedad, independientemente del grado de desarrollo de la misma. Además que sería necesario establecer un «precio justo objetivo» para que se establezca situaciones de irracionalidad, por la sobre-reacción o por la infra-reacción. Sin embargo, las valoraciones son subjetivas y por tanto no existe un precio justo, sino infinidad de precios justos, tantos como personas estimen las ganancias futuras de una determinada inversión.

Siguiendo en el objetivo de definir el mercado eficiente, Fama (1970: 383-417), supone que los precios reflejan toda la información disponible y orientan a sus partícipes acerca de cómo deben ser sus decisiones de inversión:

El mercado ideal es aquel, en el que los precios proporcionan indicaciones exactas para la asignación de recursos. Esto es, un mercado en que las empresas puedan llevar a cabo decisiones de producción e inversión, y en el que los inversores puedan elegir entre los títulos valores que representan la propiedad de la empresa, bajo el supuesto de que los precios de los mismos, reflejan por completo, en todo momento, toda la información disponible.

La definición que plantea, interpreta la situación de un mercado ideal, y ciertamente todo mercado es un mecanismo de información, hasta aquellos que están altamente regulados están en la disposición de proporcionar datos para la asignación de

recursos, eso sí mientras menos regulados son, mejores son los precios para servir como señales para la asignación de los recursos. En el caso de un mercado de inversión, los precios permiten dirigir más eficientemente los recursos financieros. Naturalmente, si los precios se forman en un mercado intervenido, esa es una condición que puede conducir a errores en la decisión, y se puede ejemplificar, cada vez que un banco central modifica las tasas de interés creando una información que se añade como información nueva a la preexistente en el mercado.

Pocos años después, Jacquillat y Solnik (1975:22), definen un mercado eficiente como aquel mercado «que incluye instantáneamente las consecuencias de los acontecimientos pasados y refleja en forma precisa las expectativas expresadas sobre los acontecimientos futuros. Así, el precio de un bien financiero es en todo momento una buena estimación de su valor intrínseco.»

Todo lo antes expuesto, se puede interpretar así: en un mercado eficiente el precio de mercado de las acciones³ representa una buena estimación del valor real de la empresa y además, en ese mercado existe competencia entre los inversores, lo cual trae como consecuencia que cada acción refleje su precio justo,⁴ de acuerdo con sus características de rentabilidad y riesgo. En conclusión, los analistas suponen la inexistencia de información privilegiada en un mercado eficiente, porque ese precio reflejaría toda la información existente en el mercado, no solo los datos actuales sino también las previsiones, que son las estimaciones subjetivas que el inversionista se hace en relación a la empresa.

Además, un mercado eficiente refleja total e inmediatamente un conjunto de información en el precio de los títulos valores y es un buen indicador del valor de inversión, valor justo o valor intrínseco, que no es otra cosa que el valor presente de los comportamientos o anuncios futuros de un título o valor estimado por el analista tal como lo refieren Alexander, Sharpe y Bailey

³ También se utilizan indistintamente los términos precios bursátiles o cotizaciones bursátiles.

⁴ La expresión *Precio Justo*, es quizá mal interpretada, porque todos esperan que sea un valor fijo. Realmente el precio justo es el precio de mercado, que suele ser muy variable.

(2003). Pero, esta misma publicación supone que para que exista un mercado eficiente debería ocurrir en condiciones de un mercado perfectamente competitivo, el comportamiento racional de quienes operan en dicho mercado y las condiciones de información gratis, aunque estas utópicas condiciones sean difíciles de encontrar porque en la realidad muchas veces es costoso recolectar y procesar la información. No obstante, en un mercado donde esto cueste dinero, los analistas probablemente podrían identificar valores mal evaluados y su ganancia, al hacerlo, sería desplazada por los costes en que incurrió, según afirman Alexander, Sharpe y Bailey (2003), y el error es común en muchas publicaciones, debido a que por ejemplo se llega a pensar que si la consecución de información es demasiado costosa, los inversionistas tendrían que hacer iguales esfuerzos ante el gasto de conseguirla, por lo que deberían ganar tasas de rendimiento que ellos llegan a considerar «anormales», es decir, lo suficientemente grandes para cubrir estos gastos. Sin embargo, cuando obtenemos la cifra neta correspondiente a sus costes, su *rendimiento neto* es el mismo que el de los inversionistas que seleccionan sus carteras al azar, según lo señalan Weston y Copeland (1995).

Claro que el precio es la mejor estimación del valor de un bien, sobre todo financiero, pero ese precio es intensamente variable y puede cambiar de un segundo a otro en un mercado, como se afirmó antes, con la llegada de cualquier información, por lo que son las actuaciones de los individuos y las apreciaciones que ellos hacen las que alteran ese precio, que al final son juicios de valor. Pero ahí tenemos un problema de confusión entre precio y valor. Valor es lo que creemos que debería ser el precio de un determinado activo, mientras que precio es una realidad del mercado que es producto del encuentro de un comprador y un vendedor, esa realidad varía a cada momento y no necesariamente se relaciona a valoraciones fijas en el mercado.

Para estos pensadores, el mercado eficiente es aquel donde el precio de cada título es igual a su valor de inversión en todo momento, y por tanto, es imposible obtener ganancias extraordinarias, a menos que sea por casualidad o por suerte, usando este conjunto de información para componer las órdenes de compra y venta. Por ello se concluye que en un mercado eficiente,

los inversionistas sólo obtendrán una tasa de rendimiento normal sobre sus inversiones. Esto es otro absurdo, porque supone que el mercado es de giro uniforme.

Rodríguez y Fermín (2006), señalan que si el mercado es eficiente, el pequeño inversionista estaría protegido de los efectos perjudiciales que se pudieran ocasionar por su inexperiencia sobre el funcionamiento de un mercado, porque todos los inversores especializados o no, deberían tener el mismo grado de información y por tanto, las mismas posibilidades de perder o ganar. Este es otro absurdo, por la misma razón que expusimos con los supuestos de Samuelson; la información no está igualmente distribuida.

2. Clasificación de la Eficiencia del Mercado.

Robert Harry en un trabajo denominado *Statistical versus Clinical Prediction of the Stock Market*, para el seminario de análisis del precio de los valores, que dirigía en la Universidad de Chicago en mayo de 1967, fue el primero en presentar la clasificación que universalmente se utiliza para los mercados de eficiencia fuerte, semifuerte y débil, según lo reseña el libro de Principios de Finanzas Corporativas de Brealey y Myers (1988). Fama ratificó la definición de los tres tipos de eficiencia y señaló que la noción de eficiencia de los mercados no puede ser rechazada sin un rechazo al modelo de equilibrio del mercado.

La eficiencia débil fue la primera en ser estudiada durante los años sesenta, la cual por muchas pruebas econométricas fue una teoría contrastada y aceptable. A partir de la década de los ochenta, algunos autores comenzaron a dudar de ella y ha sido tema de investigación hasta la fecha. Si el mercado es eficiente en su forma débil, los precios siguen un *random walk*⁵ o recorrido

⁵ La fórmula más sencilla del modelo de camino aleatorio es: $Y_t = \mu + Y_{t-1} + \varepsilon_t$, donde Y_t es una variable aleatoria cualquiera (precio), μ es el valor esperado del cambio de Y_t y ε_t es un elemento aleatorio que está independiente e idénticamente distribuido con media 0 y varianza σ^2 . Sin embargo, han sido utilizados otros modelos como lo fue el modelo llamado de martingala, siendo denominada desde entonces

aleatorio y aunque en el futuro ocurran variaciones, no se sabe cuándo se realizarán, ni cuál será su magnitud es decir, con base en los precios históricos no se puede predecir nueva información sobre el futuro.

El concepto de eficiencia semifuerte señala que el precio de las acciones refleja totalmente la información pública disponible, de naturaleza económica y financiera de la empresa y de su entorno en general, es decir precios pasados, estados financieros, las proyecciones de ganancias, las tasas de interés, el crecimiento económico, la inflación, etc. Se basa en la creencia de que todos los participantes del mercado cuentan con la misma información, por tanto, esta definición solapa a la de eficiencia débil.

Por último, la eficiencia fuerte supone que los precios bursátiles reflejan tanto la información pública disponible y conocida por todos los inversores como la información privilegiada que podrían poseer los que manejan la empresa, es decir, muestra la totalidad de la información instantáneamente, tanto pública como privada. Esta hipótesis supone que toda la información pública disponible es la histórica y la referente a los futuros planes de expansión publicitados por las empresas; si es así, no debería existir información privilegiada.

Para probar esta última forma de eficiencia, sería necesario probar que existe información privilegiada y debe haber la manera de medirla, por lo que no existe método estadístico con el cual enfrentar ese contraste. Aunque existan normativas que pretenden calificar ese tipo de actuación en el mercado. De hecho, la información privilegiada no es eficiente, si no es compartida, porque si el inversionista que posee la información «privilegiada» compra y la mantiene en secreto, eso tampoco afecta los precios y por tanto no debería sacar ventaja. Aparte de la teoría conspirativa, porque la compra enviaría una señal de «algo debe saber que no sabemos nosotros, entonces compra», Hay un problema adicional, que no se toma en cuenta en estos modelos y es el de la temporalidad de la data. Los indicadores son de cuatro tipos:

la hipótesis de martingala y que algunos consideran una condición de eficiencia de mercado y según esto, un proceso estocástico X_t cumple con este principio cuando $E[X_{t+1} | X_t, X_{t+1}, \dots] = X_t$; o indistintamente $E[X_{t+1} - X_t | X_t, X_{t+1}, \dots] = 0$.

- 1) Los económicos que siempre son rezagados, es decir, todos los agregados macroeconómicos y monetarios que se producen con posterioridad al tiempo en el que son causados. El PIB se publica entre 7 y 8 semanas después que se produce el cierre de su período, de la misma manera lo único que diferencia un indicador de otro es el retraso que se produce en la información, que puede ser mayor o menor dependiendo de la metodología estadística.
- 2) Los financieros producidos por el mercado, que son coincidentes. Ese es el caso de los precios, tasas de interés, volúmenes de operación e índices bursátiles. Se dispone de ellos casi inmediatamente.
- 3) Los Contables, que al igual que los económicos, son producidos con cierto retraso. Una empresa cierra ejercicio, y con posterioridad se presentan las cuentas y los informes de gestión. Aquí hay otro problema, que es la metodología contable, que varía de acuerdo al grado de conocimiento del contador, y a las habilidades que pueda tener el gerente, como es el caso de las empresas Enron y Worldcom, por supuesto, a esto se añade los conflictos de interés que se manejen con quienes hacen la revisión de las cifras contables.
- 4) La información extracontable y extraeconómica. Los inversionistas, como empresarios y especuladores, observan su entorno y de él sacan señales que le permiten establecer las situaciones que se vivirán en el futuro, eso es eminentemente personal, tácito, subjetivo y no puede ser cuantificable en ningún modelo.

Como se observa hay un problema de temporalidad, los datos numerados en el punto dos, son los únicos que pueden ser utilizados para tomar decisiones rápidas en un mercado financiero. Por lo que los datos económicos y contables, mostrados en el punto 1 y 2, serían conocidos una vez que el mercado haya reaccionado y sólo sirven para mostrarnos que nuestra predicción fue acertada, pero nunca que lo será. El punto 4 es el que más información puede suministrar, pero es el único en el que podemos darnos cuenta que no es cuantificable, el resto es igual, pero al tener valores numéricos, nos hace creer que es posible la modelización.

La diversidad de tiempos y las metodologías hacen casi imposible la aplicación de la econometría para estimar el futuro de una inversión y menos aún de un mercado. Incluso si se usan como se hace en los modelos para estimar la eficiencia los índices de precios de las acciones, la diversa metodología de cálculo, e incluso la diversa forma de operación de un mercado en relación a otro, hace técnicamente imposible que los datos sean comparables y los resultados significativos para concluir algo cierto.

III

EL MITO DE LAS MATEMÁTICAS EN LA ECONOMÍA

La matemática es un lenguaje ideado para explicar la física como ciencia y por ello, los ingenieros la utilizan con una habilidad que escapa a los economistas. Siguiendo a Mises un economista debería aprender la mayor cantidad de disciplinas, para comprender realmente la economía, entre ellas aprender cálculo y geometría como un ingeniero, sobre todo para descifrar a cabalidad que éste no es el lenguaje apropiado para explicar los axiomas de la economía.

Pero los programas de las escuelas de economía se conforman con contratar profesores de matemáticas para dictar esta materia y son varios los errores que comenten:

- a) El primero es considerar que los alumnos requieren algo de álgebra lineal, algo de cálculo diferencial y matricial, así como un poco de ecuaciones diferenciales.
- b) No les enseñan geometría y tampoco les enseñan el suficiente análisis matemático para comprender lo que hacen cuando tienen una ecuación al frente.
- c) Pero lo peor, no saben la suficiente teoría económica para entender que algunas variables no son biyectivas y otras son no aislables.

Si a un economista le dieran matemática como a un ingeniero, descubriría sin necesidad de leer a Say o Mises que la matemática no es el lenguaje para explicar la economía, y cuando viera las ecuaciones de los neoclásicos, comprendería que son generalizaciones

insustentables si uno se enfrenta a la realidad, debido a que no es posible graficar una cosa como el costo de oportunidad, y que por tanto todas las ecuaciones de costo son simplificaciones que rayan en el absurdo.

Hay un ejercicio sencillo. Si usted tiene una ecuación con dos variables independientes como es el caso de la Cobb-Douglas y deriva función con la primera variable, el trabajo, eso da un valor, si deriva la segunda, da otro valor; pero ambos son consistentes con la derivada total de la ecuación. Ahora intente hacer eso con un programa econométrico y si usa las dos variables, tiene dos pendientes (derivadas), si elimina una variable y estudia sólo una, la pendiente (derivada) es distinta, si elimina la otra y usa la que antes no usó, la pendiente (derivada) vuelve a cambiar. ¿Alguien puede explicar si eso ocurre en la física?

Pero es que nuestros colegas están acostumbrados a pensar como economistas, es decir, a veces, no razonan si el computador ofrece en sus resultados un absurdo que no tiene sentido matemático. A lo sumo, alguien asomará, *es un error de data*, pero nadie enfrenta la realidad. Es que el paquete econométrico está dando el resultado consistente con la data que le introducimos, *garbage in garbage out* y como el economista tradicional está preparado para hacer toda una batería de contrastes de hipótesis, no se preocupa por la calidad de lo que le está dando el asunto. Llegándose al absurdo de afirmar que las relaciones de la teoría no se cumplen para el caso estudiado y se llega hasta el peor de los mundos que es ofrecer una teoría particular para explicar el fenómeno, es decir llegamos por las matemáticas a afirmar lo que la escuela histórica alemana hizo sin matemática.

IV

LA EFICIENCIA DINÁMICA, LA ÚNICA EFICIENCIA DEL MERCADO, EN BUSCA DE UNA CONCLUSIÓN

Para Mises (2004, p. 314) el mercado se define de esta manera:

El mercado no es ni un lugar ni una cosa ni una asociación. El mercado es un proceso puesto en marcha por las actuaciones diversas de los múltiples individuos que entre sí cooperan bajo el

régimen de división del trabajo. Los juicios de valor de estas personas, así como las acciones que surgen de estas apreciaciones, son las fuerzas que determinan la disposición —continuamente cambiante— del mercado.

Hay que tener bien claro que mercado es donde los seres humanos interactuamos y hacemos intercambios de los bienes que producimos, distribuimos y comercializamos, por lo que no es un ente aislado de nosotros, sino nosotros mismos participamos de él y somos mercado. Destutt de Tracy (I, pp. 125-143) tiene una definición de sociedad, que es la siguiente:

La sociedad es pura y simplemente una continua serie de intercambios... ciertos animales ejecutan varios trabajos que concurren a un fin común,... pero ninguna cosa indica que ellos hagan cambios realmente... La razón de ello, en mi concepto, es que no tienen un lenguaje harto perfeccionado... y creo que esto proviene de que son incapaces de deshacer suficientemente sus ideas para generalizarlas, abstraerlas y expresarlas separada e individualmente con sus semejantes..., el hombre, por el contrario, que tiene los medios intelectuales de que carecen aquellos brutos, tiene una natural inclinación a servirse de ellas para hacer cambios; pero sí él: por lo mismo sólo el hombre tiene una verdadera sociedad; porque el comercio es toda la sociedad, como el trabajo es toda la riqueza.

Entender la Eficiencia Dinámica es entender el mercado tal cual es. Lejos de la falsa concepción de Competencia Perfecta que ofrece el Neoclasicismo, porque es técnicamente imposible rebasar las fronteras del individuo en el subjetivismo sin proceder desde una metodología deductiva y gramática, es decir, el lenguaje hablado, que es el que nos distingue de los brutos según dice Destut De Tracy y por ello, es ideal para explicar los procesos humanos, como luego afirmará Mises.

Dentro de este ámbito, como manifestación de nuestra condición humana, el lenguaje se une a la función empresarial, es decir, lo que lleva al ser humano a relacionarse en la sociedad, porque cuando actuamos empresarialmente, descubrimos y creamos oportunidades de negocio. Cada una de esas oportunidades es una nueva información que, de manera práctica, marca nuestra

presencia en el mercado y es asimilada por el resto de los participantes. Esa información nunca es precisa y explícita, sino que es dispersa y tácita, por lo que está sujeta a la interpretación subjetiva de cada uno de los participantes. Esta realidad puede ser comentada por los economistas, pero nunca convertida en números y ecuaciones, por lo que el empresario escasamente puede convertirlo, después de ocurrido, en un ejercicio que le permita analizar sus ganancias o pérdidas, haciendo uso de la matemática financiera o registrando contablemente los detalles de su operación.

La única manera de anticipar esos resultados es en la mente, por lo que la función empresarial es especulativa, por eso prefiero la interpretación de esta palabra como derivada de Espejo (speculo), porque son los reflejos que hace el empresario del futuro, él se imagina y ve (speculari) por lo que medita y teoriza en función de lo que el anticipa lo que será el resultado de su acción. Esta acción es totalmente creativa e innovadora, por eso en los mercados financieros quienes invierten deben meditar, entender el negocio como si se fuese a fundar y hacer especulaciones, de la misma manera como el creador de un negocio cuando invente en su empresa, pero esa invención es producto de la evaluación de la información que él selecciona, clasifica, procesa y proyecta en forma de ejercicio contable. Es por ello que está lejos de realizar modelos no contables para la estimación.

Cuando actúa en el mercado transmite información, porque la acción, sea esta comprar, vender e incluso no hacer nada, comunica a los otros empresarios una información para que ellos actúen en consecuencia. Contrario a los clásicos, nuestras actuaciones no son actos aislados, producto del egoísmo solitario, sino que son influencia y son influidas por el intercambio con los otros miembros de la sociedad que conforma el mercado. Por eso, el proceso de la función empresarial es al mismo tiempo un proceso de transmisión y coordinación, porque se puede reevaluar las posiciones al enfrentarlas a las de los demás miembros del mercado.

Pero, el mercado es como la sociedad, un proceso complejo que no tiene porque ser siempre un fenómeno sutil, puede serlo, pero también puede ser conmovedor, porque es un proceso competitivo, y es por eso que los que le tienen miedo al mercado

creen que debe ser regulado, sin embargo, cuando se regula es cuando el mercado manifiesta de manera más violenta sus efectos competitivos y cuando más daños puede ocasionar, ejemplo de ello es la reacción del mercado a los intentos de manipulación de los bancos centrales cuando fijan las tasas para regularlos, la sobrerreacción y las crisis financieras son el resultado de este proceso que realmente buscaban suavizar el desempeño del mercado.

Por último, hay que referirse a que la función empresarial es un proceso continuo, como el mercado mismo, que no se detiene y que no puede ser detenido, los países que tenemos controles, sabemos que los mercados funcionan a la sombra de esas mismas regulaciones y que ningún tirano puede detener al individuo que se manifiesta en la sociedad que llamamos mercado.

Los mercados no son menos perfectos o más perfectos que lo que pueden ser, porque son producto de un proceso evolutivo y colectivo que es la práctica de la costumbre que impera en ellos. Es por eso que no pueden ser evaluados matemáticamente, porque no son variables homogéneas como pueden serlo un motor, para la mecánica, un corpúsculo para la biología o un compuesto para la química. El mercado, es producto de la cultura y las costumbres antropológicas de sus componentes y es cambiante, porque basta con que un nuevo individuo entre y comparta su información con los demás para hacer del mercado algo distinto a lo que fue en el instante anterior, eso no es matematizable y tampoco es comparable con otros mercados.

Pero hay dos tipos de mercado, el de los bienes que satisfacen nuestras necesidades inmediatas y el mercado de inversión, y dentro de este mercado de inversión está el mercado bursátil. La única diferencia entre ellos es la facultad que posee el mercado financiero de impedir los arbitrajes y hacerlos un proceso difícil, lo que ocasiona que los beneficios empresariales puros en un mercado financiero sean producto por un proceso de investigación, e inventiva que parece ser distinto. y por ello, somos sujetos a favorecer la creencia que puede existir tráfico de información privilegiada, eso puede ser cierto, pero cuando la información privilegiada llega de la mano de un nuevo inversionista arranca ese mismo proceso de transmisión y coordinación que hace que

esta información se convierta en un hecho de dominio colectivo. Si el poseedor de la información privilegiada compra, puede condicionar que su acción sea un acto autístico que probablemente no lleve a un resultado favorable para el especulador, y si lo transmite puede ser penado en las sociedades donde ésta sea una condición prohibida, o puede ser felicitado en las sociedades donde la práctica es común y bien vista; incluso puede ser execrado si, aunque no existan normas, el mercado está conformado por individuos éticos y ese comportamiento individual se riñe con la cultura de los participantes. Es ahí donde la norma puede entrar en conflicto con la realidad del mercado, porque no puede ser impuesta desde arriba, sino que es un fenómeno cataláctico, evolutivo y coordinado por la misma sociedad.

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REAL AUSTERITY

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Austerity has been hotly debated as either an elixir or a poison for tough economic times. But what is austerity? Real austerity means that the government and its employees have less money at their disposal. For the economists at the International Monetary Fund, «austerity» may mean spending cuts, but it also means increasing taxes on the beleaguered public in order to, at all costs, repay the government's corrupt creditors. Keynesian economists reject all forms of austerity. They promote the «borrow and spend» approach that is supposedly scientific and is gentle on the people: paycheck insurance for the unemployed, bailouts for failing businesses, and stimulus packages for everyone else.

Austrian School economists reject both the Keynesian stimulus approach and the IMF-style high-tax, pro-bankster «Austrian» approach. Although «Austrians» are often lumped in with «Austerians,» Austrian School economists support *real* austerity. This involves cutting government budgets, salaries, employee benefits, retirement benefits, *and* taxes. It also involves selling government assets and even repudiating government debt.

Despite all the hoopla in countries like Greece, there is no real austerity except in the countries of eastern Europe.

For example, Latvia is Europe's most austere country and also has its fastest growing economy. Estonia implemented an austerity policy that depended largely on cuts in government salaries. There simply is no austerity in most of western Europe or the U.S. As

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Professor Philipp Bagus explains, «the problem of Europe (and the United States) is not too much but too little austerity—or its complete absence.»

Most of Europe and the U.S. continue to have massive budget deficits and growing national debts relative to GDP. The Keynesians' magical multipliers have once again failed to materialize. Given that most of these economies have not achieved growth from stimulus, they should give the idea of true austerity a fresh look.

Austerity for individuals, means living a highly restricted lifestyle. The best example is the monk who lives on a subsistence diet, wears simple clothing, possesses a few basic pieces of furniture, and uses only necessary utensils. His days consist of long hours of work and prayer with no leisure activities and he may not even enjoy indoor heating and plumbing.

Austerity applied to whole countries, is not necessarily so harsh or ascetic. It simply means that the government has to live within its means.

If government were to adopt a thoroughgoing «Libertarian Monk» lifestyle, then government would be cut back to only national defense (without standing armies and nuclear weapons), with Mayberry's Andy and Barney protecting the peace. The national debt would be wholly repudiated. This would involve certain short-run hardships, although much greater long-run prosperity.

In contrast, the *typical* austerity policy is difficult, but not severe. The government workforce and beneficiaries would have to make adjustments. Some people and businesses might go bankrupt, but soon businesses would reopen and people would go back to work.

Real austerity involves cutbacks in government wages and benefits. Austerity policies typically occur during economic crises when everyone is facing cutbacks and hardships. Given that government employees are typically compensated with roughly twice the income, benefits, and job security compared to similar employees in the private sector; it is not unreasonable to expect them to bear most of the burden of an austerity policy.

One particularly promising area for cutbacks is government regulation. Regulation is a burden on taxpayers, discourages entrepreneurship, and makes us less safe. One recent empirical study

found that regulation was extremely costly and that «eliminating the job of a single regulator grows the American economy by \$6.2 million and nearly 100 private sector jobs annually.»

What austerity does not mean is that government cutbacks become a form of extortion. The cutbacks should not be in the form of eliminating garbage collection, the police force, and the fire department (unless private competition in these areas are allowed) while leaving the military, the education bureaucracy, and the dozen or so spy bureaucracies' budgets untouched.

Real austerity is not adding more difficulties on the productive sector of the economy in the form of higher taxes. The private sector produces, the public sector consumes. The IMF's idea of raising taxes on individuals to pay off international banksters is bad economics and is not real austerity.

In hard times, government policies should be guided by the idea of increasing production, not of making production more burdensome by higher taxes. Our ascetic monk does not force his duties and burdens on ordinary citizens.

It has even been suggested that «austerity» should involve extending existing taxes onto charities and nonprofits. Others have suggested taking away the taxexempted status of charities and non-profits, which is a backdoor tax increase. These are some of the dumbest suggestions for economic crises and are not real austerity.

Real austerity actually works best with tax *cuts*. To help austerity create growth it needs to be understood that certain taxes are *highly* discouraging to production. Tax cuts on investment and capital actually stimulate economic activity. There is no doubt about this, it is even noted in the mainstream economics literature.

One historical example of austerity legislation is the Economy Act of 1933. This legislation, submitted by Franklin Roosevelt six days after his inauguration, slashed government spending, wages, and benefits, including cuts of 50 percent to veterans' benefits, which at the time constituted a quarter of the federal budget.

The Act helped jump-start the economy. Combined with the repeal of Prohibition it helped reduce unemployment from 25 percent to almost 15 percent. These two pieces of legislation were the real reason for FDR's popularity. Unfortunately Congress acted

on less than half of Roosevelt's requested cuts and increases in government spending greatly diminished the beneficial impact of FDR's austerity legislation.

Worse still, FDR quickly adopted Hoover's «New Deal» programs, expanded some, and added new ones. With respect to the Great Depression, Murray Rothbard's thesis was that Hoover's and Roosevelt's «New Deal» prevented the economy from recovering. In an attempt to keep prices and wages high, they both continuously intervened with one program after another. More spending, more regulation, and more resources were withdrawn from the economy, yet nothing worked. Today, mainstream economists Harold Cole and Lee Ohanian have verified the soundness of Rothbard's thesis.

The 1940s are considered by many to be the glory years for the anti-austerity/Keynesian stimulus approach. The massive government spending and deficits during World War II were long thought to have gotten us out of the Great Depression. The truth is quite the opposite. Conscripting one-fifth of the workforce to labor at difficult and dangerous military activities is not good economics. Robert Higgs has demonstrated that even on the home front, real consumption per capita stayed at or below Great Depression levels.

The proof for real austerity, however, came after World War II ended. All the Keynesian economists warned of a return of the Great Depression. In sharp contrast, the American Austrian School economist Benjamin Anderson predicted that the economy would recover, in a very short period, despite multi-billion dollar budget cuts and millions of government jobs being slashed.¹ What was the verdict on this debate? There was no real Depression of 1946, as the economy recovered very quickly despite the fact that the government was running large budget surpluses.

The Austrian austerity solution works, and the Keynesian stimulus solution fails. As Jim Rogers has noted, the Austrian approach worked for Sweden in the 1990s, while the Keynesian approach failed for Japan. In the 1980s the austerity approach

¹ *Financing American Prosperity: A Symposium of Economists*, edited by Paul T. Homan and Fritz Machlup, 1945.

worked in Chile, but the lenient-bailout approach failed in Mexico.²

It should be clear that austerity policy, properly understood, works to revive the economy and restore economic growth. In contrast, the approach of using bailouts and stimulus is bound to fail. Keynesian economists may be good at telling scary stories of death spirals and black holes, but the lessons of history clearly point us in the direction of austerity and away from stimulus.

As Jason E. Taylor and Richard K. Vedder have written:

«Just as history tells us that stimulus packages are ineffective in bringing about recovery, so it also tells us that “de-stimulus” —moving in the direction of monetary and fiscal contraction—likewise need not have severe adverse effects on employment, income, stock prices, and other macroeconomic variables.»

The two significant times that an all-out stimulus approach was adopted occurred in the U.S. from 1929 to 1945, and in Japan from 1989 to the present. Our crisis is now almost 6 years old. The recently passed fiscal-cliff legislation that increased our taxes suggests that the U.S. government is adding the failed IMF approach of higher taxes to the failed Keynesian approach of higher spending.

What the ailing economies of the world need is a heavy, ongoing dose of real austerity, Austrian-style.

² Professor Robert Higgs has shown us how statistics can be misleading, especially in the current context.

ISLAMIC BANKING

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In recent years the rise of Islamic banking has been one of the most important trends in the economic sphere, with an estimated 1.5 billion Muslims in the world, this arena has plenty of room for expansion.

Conforming to Shariah (Islamic Law) puts a huge demand among Muslims looking for financial products and services that adhere to their beliefs. If it weren't for the creation of such alternatives to conventional banking and finance, Muslims would find it hard to participate in our globalized world without violating their religious principles.

There are currently over 300 financial Institutions across the global sphere providing some type of Islamic financial product. According to some experts, the assets that are currently being managed under Shariah law, which range from investment to commercial banks and investment funds, are estimated to be no less than 300 billion.

Other experts in the industry estimate the assets under management to be much larger. The FSA (Financial Services Authority), a regulator for financial services based out of London, estimates the total amount associated with Shariah banking to be as much as 500 billion. Even the U.S rating agency, S & P, estimates the sukuk (deed) market has reached over 75 billion and will likely be over 150 billion by the end of the decade. It used to be that Islamic financial products were more of a niche market but over time they are now considered mainstream, with many well-known international financial institutions battling to get a little piece of the pie.

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With this industry being fairly new as compared to conventional areas, the profit margins associated with these products are still relatively high. Taking this fact into account along with the amount of Muslims worldwide, you can understand why many institutions are trying very hard to get a share of this market.

I WHAT IS SHARIAH BANKING?

Some people like to say that Shariah banking, is banking with a conscience. Under this type of banking it is customary that banks have a board made up of financial experts and scholars that are well versed in Shariah Law. From this solid base these individuals are able to determine which activities are compliant and which are not. Some popular banking practices in world banking, such as gambling with derivatives and options, or investing in firms that support the production or distribution of alcohol, pornography or pork are not attainable by Islamic banking means.

There are two main financial principles that govern Islamic banking.

1. Interest free financing shall be provided for investment to the private sector.
2. All financial products developed are to be done on a basis of sharing risks and as well as sharing profit and losses.

Shariah law is the foundation for Islamic banking. Interest, the base of conventional banking, is strictly prohibited by Islamic law and considered unethical. Islam considers interest an unjustified increase of capital, with no effort made to earn it, it is considered of false value, and therefore is prohibited. However, there are many arguments about the prohibition of interest in Islam. The first argument is that interest rates have no moral foundation. The second is that abstinence from consumption is not a justification of rewards. Lastly, some argue that there are risks to justify the supplement of payment for capital lending if the loan is guaranteed.

To go along with the prohibition of interest, Islamic law considers money to be strictly a medium of exchange and therefore has no inherent value. If it has no value then it should not lead to the production of more money. In Islamic banking, the creditor/debtor relationship is defined differently than in the secular financial world. The creditor, or provider, of funds who becomes a partner in a project assumes the risk activity with the entrepreneur and shares profits as well as losses. The creation of incremental wealth justifies the share of profit between the borrower and the lender of money, but does not guarantee a fixed return.

Some of the main financial products used in the aforementioned form of resource mobilization include the following:

- Trade financing and cost-plus mark-up on traded goods (*murabaha*).
- Profit-sharing (*mudarabah*) and equity participation (*musharaka*) in which cost-sharing among partners is also included.
- Rental on purchased equipment (*ijara*).

II

ISLAMIC BANKING VS. CONVENTIONAL BANKING, WHAT ARE THE DIFFERENCES?

Both Islamic and modern Western banking systems are very similar in almost all functions. From this Islamic banks are able to mediate any limitations or excesses that may exist in a monetary exchange economy. The Islamic bank requires a careful management team to balance the different levels of credit (personal credit, secured credit, letters of credit), and also functions as a specialist in estimating projects risks and estimated returns.

The fundamental difference between these two banking systems lies in the fact that western banks charge and pay interest, whereas Islamic banks do not as they consider interest to be prohibited under Shariah law. Even though the operations of Islamic banking are different from conventional banking both types of banking fulfill the same needs.

Listed below is a graph summarizing a list of differences between Islamic and Conventional banking.

	<i>Islamic Banking</i>	<i>Conventional Banking</i>
Main Principle	The customer shares the profit and loss with the bank. High degree of risk with variable returns.	The customer obtains fixed interest from the banks and does not share the loss.
Stability	Higher degree of stability.	Lower degree of stability.
Treatment of interest	Uses profit and loss structure accounts. Interest is prohibited.	Interest based on products.
Profitability	Profit and loss is based on an agreement or musharaka (partnership) or joint venture without participation in management (mudaraba).	Higher concentration leads to higher interest rates, which leads to higher profitability. Higher rates of inflation lead to higher profit margins.

Since banks are prohibited from charging interest, they must act like their own investment company in which it sells its own stock to the public. In this concept the bank does not have maturity-matching problem or duration gap management, which is a functional problem with Western banks in general.

The way Islamic financing goes about their business is fundamentally different as compared to conventional finance. Profit and loss is their main structure in providing financing. What this means is that rather than lending money to their clients, these financial institutions actually invest with their client in order to meet their client's needs. This relationship is like a joint venture, where returns are handed out based on the profits earned. This risk component of actually having to participate in the venture is the key component to Shariah-compliant finance. Most importantly customers are assured that these products that are offered are compliant to Islamic law, in achieving this Islamic institutions employ a panel of scholars and financial experts to a Shariah board. This board then analyzes and approves the products compliance to Shariah law.

Shariah compliant products mean the arrangements of financing where the return of investment for the Islamic Financial

Institution (IFI) is predetermined and fixed but within Shariah constraints. The tools which harmonize the operations of Islamic financial system with conventional banking are the following:

- *Ijara*: is a rental contract whereby IFI leases an asset for a specific rent and period to the client. Ownership risks of the asset are born by IFI while expenses relating to use the asset are the responsibility of client. The difference between *Ijara* and sale is that ownership in *Ijara* remains with lessor while in case of sales it is transferred to purchaser. Ending *Ijara* in a sale of asset is allowed by the IFA through a separate contract at the completion of the lease. The contract can be executed prior to purchase and possession of asset. Consumables cannot be leased out. Right of lessee to use the asset is restricted to lease agreement or as per normal course of business. The lessee is liable for any harm to the asset caused by any misuse or negligence on his part. Rentals of joint property are shared according to equity. A joint owner can rent his share only to the copartner. Inter Bank Rate can be used as a benchmark for amount of rentals. At the completion of *Ijara* term either asset is returned to IFI or purchased by client. *Ijara* has replaced successfully the facility of leasing under conventional financial system.
- *Murabaha* is a cost-plus sale contract whereby disclosure of cost to the buyer is necessary. Under *Murabaha* arrangement customer requests to the IFI to purchase an asset for him and sell on deferred payment. An essential feature «of *Murabaha* is that IFI must purchase the required commodity from supplier first and then sell to customer. Bank charges a certain profit usually linked with Inter Bank Offered Rate. Recovery could be agreed in installments or a balloon payment. The amount of installment or price of the asset cannot be increased or decreased in case of default or early payment. In order to create pressure on client for prompt payment a penalty is imposed upon customer as agreed in *Murabaha* contract. Amount of penalty for default in prompt payment recovered cannot be included in income of IFI in any case and must be spent for charity. *Murabaha* has successfully replaced the overdraft and short term loans facility under conventional banking.

- *Salam*: Salam is a form of sale contract where by IFIs purchase goods for spot payment with deferred delivery. Practically it is used in financing of agricultural needs of farmers. Farmers sell their crops prior to harvesting to IFIs in order to get money to purchase seeds and fertilizers. Generally spot price agreed is lesser than future the actual date of delivery, hence IFIs are making profit. As a matter of practice IFIs are entering into a parallel Salam contract with third party to sell the proceeds once taken over however execution of second contract is not conditional to the fulfillment of first.
- *Istisna*: A contractual agreement for manufacturing goods and commodities, allowing cash payment to be made in advance with a set date for future delivery, or a future payment and delivery. A manufacturer or builder agrees to produce or build a well-described good or building at a given price on a given date in the future. Price can be paid in installments, or as agreed between the parties. *Istisna* can be used for providing the construction of houses, plants, projects, and building of bridges, roads and highways.
- *Wakala*: A contract of agency in which one person appoints someone else to perform a certain task on his behalf, usually against a certain fee.
- *Commodity Murabaha*: A sale consisting of a cost plus profit basis, based on a mutual exchange of specific commodities. If the customer wishes to invest money with the bank, he or she will purchase commodities at «Cost Y» from «Broker B» and sell them to the bank at «Cost Y» plus «Profit X,» which equals the «Contract Price.» The bank will repay the «Contract Price» over a duration of time.
- *Tawarruq*: A customer buys the commodities on a deferred payment from the bank at a cost-plus plus profit. The customer then turns around and sells the commodities for cash to a third party on a spot basis.
- *Ijarawa Iqtina*: A contract where an Islamic bank finances equipment, building or other facilities for a client against a rental agreement. There is a unilateral undertaking by the bank or the client so that at the end of the lease period, the ownership of the asset is transferred to the lessee. The undertaking or

the promise does not have to become an integral part of the lease contract in order to make it conditional. The rental as well as the purchase price is fixed in such a manner that the bank receives back its cost price along with some profit, which is usually determined in advance of the transaction.

- *Diminishing Musharaka*: is a form of declining partnership between IFI and the client generally used to finance real estates. When a customer requests to financing from the IFI to purchase an asset, the IFI participates in the ownership of asset by contributing required finance. Certain portion must be contributed by customer. Total equity of bank is divided into units of smaller amounts which are purchased by client in installments. Under this mode of financing one of the partner's promises to buy the equity share of the other partner (IFI) gradually until the title to the equity is completely transferred to him. Buying and selling of equity units must be independent of partnership contract and must not be stipulated in partnership contract. Generally IFI rents his share to the client and earns rentals. Any profit accruing on property is distributed among the coowners according to agreed ratio however losses must be shared in proportion of equity. Diminishing Musharaka is used for house financing by IFIs and has replaced successfully conventional mortgages.
- *Arbun Contract*: A down payment; a nonrefundable deposit that a buyer makes to retain the right of confirming or canceling a sale.

Now that we have discussed the products that have fixed rate of return, Shariah Compliant Financing, we will now discuss Shariah Based Financing. Shariah Based Financing differs from the other conventional products we just discussed by having a rate of return that is not fixed in advance rather it depends upon the outcome of the project. There are two types of financing, Musharaka (partnership in capital) and Mudaraba (partnership of capital and skill).

- *Musharaka*: means a joint enterprise formed conducting some business in which all partners share the profit according to a

pre agreed ratio while loss is shared according to the ratio of contribution. However for there to be a valid Musharaka agreement certain conditions must be met. First, there must be a written agreement among partners stating clearly the terms and conditions. Second, capital can be contributed in cash as well as in assets. Third, profit is distributed according to the written agreement however any silent partners can't claim a share in the profit for more than is proportionate share of equity is.

- *Mudaraba*: is a type of partnership whereby skill and money are brought together to conduct business. Profit is shared according to the agreement while loss is born by capital provider only. Under this scheme of financing IFIs provide capital to financially weak but skillful people to do the business and share outcome with IFIs. This scheme is also used in deposit collection. Mudaraba contract can be restricted or unrestricted. No one can claim a lump sum amount of profit it must be based on actual outcome.

The geographic distribution and economic power in this industry has been quite remarkable. More than 280 Islamic financial institutions now operate in over 40 countries around the world, ranging from commercial banks, investment banks, investment companies to leasing and insurance companies. The first Islamic financial institutions in the Middle East were Kuwait Finance House, Dubai Islamic Bank, Al-Rajhi in Saudi Arabia, and Faisal Islamic Banks in Egypt and Sudan. The GCC (Saudi Arabia, Kuwait, Bahrain, United Arab Emirates, Qatar and Oman) region currently remains the primary financier of Islamic finance worldwide.

In Saudi Arabia, for instance, the economy grew by 6.4 percent in 2005 – its highest growth rate since the oil boom of the 1970s. Growth was reflected in the increased amounts of both personal and small business deposits in Shariah-compliant facilities. Across the Gulf in Iran, despite the country's political challenges, 2005 was one of the best years for the country's banks, which have been Shariah-compliant ever since 1983. Again, the boom in oil and prices lead to a gross domestic product increase of 6.2 percent.

Bank Melli, Iran's largest bank and the leading Islamic bank worldwide in terms of assets, saw its total assets rise to more than \$25 billion. Trade finance is especially important for Iran's Islamic banks, usually conducted on a *murabahah* basis. Many consumer imports enter Iran through the United Arab Emirates (UAE), where all major Iranian banks have branches. More than 4,400 Iranian businesses are active in Dubai, but the movement is not all one way.

Listed below is a short list of Major Islamic Banks:

IRAN	BAHRAIN
<ul style="list-style-type: none"> • BANK MELLI IRAN • BANK SEDERAT IRAN • BANK MELLAT • BANK TEJARAT • BANK SEPAH • BANK REFAH • EXPORT DEVELOPMENT BANK OF IRAN • BANK SANAAT O MAADAN • BANK KESHAVARZI • BANK MASKAN • KARAFARIN BANK • SAMAN BANK-E –NOVIN • BANK PARIAN 	<ul style="list-style-type: none"> • BAHRAIN ISLAMIC BANK • ABC ISLAMIC BANK • SHAMIL BANK • NORIBA BANK • GULF FINANCE HOUSE • ALBARAK BANK BAHRAIN • CITI ISLAMIC INVESTMENT BANK, E.C. • FIRT ISLAMIC INVESTMENT BANK • AL-AMIN BANK
QATAR	LEBANON
<ul style="list-style-type: none"> • QATAR ISLAMIC BANK • QATAR INTERNATIONAL ISLAMIC BANK • QATAR ISLAMIC INSURANCE COMPANY 	<ul style="list-style-type: none"> • AL-BARAKA BANK LEBANON
SAUDI ARABIA	KUWAIT
<ul style="list-style-type: none"> • ISLAMIC DEVELOPMENT BANK • AL BARAKA INVESTMENT & DEVELOPMENT CO. • AL RAJHI BANKING & DEVELOPMENT CORPORATION 	<ul style="list-style-type: none"> • KUWAIT INTERNATIONAL BANK • KUWAIT FINANCE HOUSE • BOUBYAN BANK
UAE	JORDAN
<ul style="list-style-type: none"> • DUBAI ISLAMIC BANK • ABU DHABI ISLAMIC BANK • NATIONAL BANK OF SHARJAH 	<ul style="list-style-type: none"> • JORDAN ISLAMIC BANK • ISLAMIC INTERNATIONAL ARAB BANK

It was a little over ten years ago that there were no Islamic Investment banks. You have now at least 10 major institutions servicing the needs of many Muslims. Currently the largest ones are the following: Gulf Finance House of Bahrain, International Investor of Kuwait, Al Tawfeek Company for Investment of Saudi Arabia and the First Islamic Investment Bank of Bahrain. All these companies have been able to expand their investment banking sector due to the booming economic growth derived from the increase in oil revenues. Due to this, many say that this growth shows how Islamic banking activity is very pro cyclical as compared to commercial banking in this area of the world.

In addition, the years of late have also shown a substantial increase in the degree of professionalism across Gulf-based Islamic investment companies. Some companies even started to seek listing on the Alternative Investment Market in London, such as the Dubai-based Islamic complaint company Tejoori – the first Shariah-complaint investment company to gain international status.

Thanks to the innovation of Islamic financial companies that are part of the GCC, Shariah compliant investments have expanded into all financial sectors. Media, advertising, real estate, industrial and textiles, information technology and insurance coverage are just some of the sectors where you can find these products.

Within the last ten years, Islamic banking has gone from a small niche market to an international finance industry. This industry is expected to continue to grow far into the future, especially due to the fact that high oil revenues are being generated throughout the Gulf. There will be intense competition among western banks and borrowers who will want access to these funds that are flowing into the region. It was only a little over ten years ago, that there were only a few Islamic-branded investment funds; now there are at least 230 worldwide. The Islamic finance industry is booming, and as a consequence it must offer a more diverse range of services and products for middle and low-income depositors. Additionally, it must train professional managers, helping them to become well versed in both theoretical concepts and practice.

The growth of Islamic banking is something that cannot be ignored. The surpluses of money that are being generated from

oil revenues in the region have been quite enticing for many international banks to get involved in this growing industry. Deutsche Bank, HSBC, UBS and Citigroup are just some of the institutions that have established subsidiaries in these regions to get a piece of the market share.

IPOs, mergers and acquisitions and corporate financial restructuring are usually the fundamental business transactions of investment banking in the international markets. However in the Gulf region and among many Muslim markets these types of business transactions are much less seen. IPOs have been the most common transaction as of recently due to the stock market boom throughout the Gulf and in 2005 a record was set for the number of IPOs established in one year. The majority of Shariah compliant investment banking has focused more on the mutual funds and wealth management.

Until recently only a few Western banks had been running Islamic operations. Citigroup, BNP Paribas, HSBC and Standard Chartered were some of the first ones to take advantage of this market, however new competition has been bringing other big names in to this sector. Deutsche Bank, Barclays, Morgan Stanley and West LB are some of the newer participants joining the ranks and arranging billions of dollars in Islamic deals.

The rewards that have come with the growing demand for Islamic products, have also brought their fair share of challenges. As this industry starts to mature, you have more investors and banks demanding new structures and products that are compliant with Shariah principles. But while the products must be often syndicated with Shariah scholars, English and American financial lawyers are finding ways of making Islamic products work. This syndication allows the Muslims who recognize Shariah law to use and benefit from the Shariah compliant financial tools at Western banks or companies.

Some other trends that you are starting to see in the Islamic banking industry is project fundraising according to Islamic principles and bond financing by Islamic governments and government agencies. Recently fundraising for infrastructure projects across the Middle East have been made possible through Shariah compliant financing. One of the first projects to use Islamic financing

was in Abu Dhabi where a project to expand water desalination and electricity worth 2.2 billion, included 540 million of Islamic financing. Al-Hidd power project in Bahrain was another project of which 55 million of the total 255 million came from Islamic financing raised by Kuwait Finance House and Islamic Development Bank.

In concluding, Islamic banking is based on the principle of sharing risk along with profit and loss between financial institutions and individuals. All this must be done in accordance to Islamic principle and laws.

One key fundamental difference between Islamic banks and conventional banks is the prohibition of interest on loans, which is referred to as *riba*. Islamic law does not allow unjustified capital increases, and emphasizes on deriving capital increases through investment. Gross revenues and profitability are derived from several Islamic financial products, based on sharing risk and revenues with customers. *Ijara*, *musharaka*, *murabaha* and *tawaroq* are some of products that achieve this goal. Islamic banks will always refer to Shariah boards made up of scholars and experts to make sure the level of compliance of their products are in accordance with Islamic laws.

The demand for Shariah compliant financial products along with the growth of Islamic financial institutions has increased substantially in recent years. The reason lies in the fact that there has been a boom in oil and gas price revenue. Islamic financial industry has evolved from a niche market to a global financial market. That boom has led to a huge growth for local Islamic financial institutions and even led international financial institutions to enter and compete in the market.

This growth and increased demand requires innovation and product development of Shariah-compliant financial products, and it also needs an increase in the variety of offerings. Even though there has been major innovation by IFIs in several areas, like industrial projects, information technology and even offering insurance against political risk, the industry still has much more room for improvement in innovating sophisticated instruments to take advantage of western financial experience that would standardize and streamline Shariah compliant products.

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BOISGUILBERT:
UN PRÉ-PHYSIOCRATE
ET UN POST-ORESMIEN?

Un parcours comparé d'histoire
de la pensée économique française

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La crise du XIV^{ème} siècle apparaît comme un tournant décisif pour la reformulation de la pensée politique, économique et sociale dans un contexte marqué par le désordre et la désorientation. Le même organon de règles économiques, en effet dérivé des commentaires et des usages devenus coutumiers, est construit de manière désarticulée et parfois contradictoire. Bien qu'il y ait quelques lignes générale dont découlent directement les applications pratiques, ce regroupement de principes apparaît disjoint d'un point de vue méthodologique et par conséquent difficile à répartir. La *res publica* souffre de cette incapacité d'organisation et d'une impasse ingérable; les interventions sont *in itinere*, marquées par la contingence et ne font pas l'objet d'une réflexion à long terme.

Selon M. Chevalier, «de la chute de l'Empire Romain jusqu'à la Révolution Française, il y a une sorte d'éclipse totale dans l'esprit des hommes chargés de gouverner les sociétés.»¹ Le jugement sur une telle impasse serait peut-être excessive et fils de la culture du siècle des lumières mais il nous présente de manière efficace

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¹ M. CHEVALIER (1857), p. 126.

cette instabilité dangereuse qui caractérise une longue période de l'histoire européenne.

L'évolution des sciences physique-naturelles et des sciences politique-sociales à l'intérieur de l'académie parisienne greffe sur le substrat aristotélicien-thomiste traditionnel —pic de départ de chaque réflexion philosophique— de nouvelles perspectives et des nouveautés importantes. En effet, dans un contexte médiéval marqué par le désordre financier, la réflexion qui se développe autour de la monnaie présente des caractéristiques originales et surprenantes.²

Oresme exprime clairement la motivation de son *Traité monétaire* dans le prologue de l'édition française, dans lequel il souligne les limites —qui s'imposent de fait à notre raison— de l'absolutisme royal en matière financière :

Pour ce qu'il semble à plusieurs, que aucun Roy ou prince puisse, de sa propre auctorité, de droit ou de privilege, franchement muer les monnoyes en son Royaume courans, et en ordoner à sa volonté et plaisir, et avec ce, sur icelles prendre gaing et emolument tele et autantant qu'il lui plaist, à aucun semble le contraire et que telle auctorité ne luy a oncques este octroyee...pour la quelle controversie et debat jentenz en ce present petit Traictie, quelle chose selon philosophie et principalement selon les raisons d'Aristote [...].³

L'analyse scolastique de la structure de la société selon la lecture des stratifications sociales et l'analyse de la productivité s'enrichissent des détails qui marquent le passage vers les formes où la présence de l'État apparaît comme *deus ex machina* de la structure économique. Oresme doutait vivement de l'utilité et de la nécessité d'intervenir dans le cycle monétaire – assignant, au contraire, une valeur prédominante au rôle «responsable» de la communauté à laquelle la monnaie est, par sa nature, directe et à qui doit être assignée, en dernière instance, une décision de pareille délicatesse. On peut voir ici les premières étapes du

² L'histoire des sciences humaines nous offre un large éventail d'idées et arguments moraux et étiques sur la monnaie. Ce sujet a été admirablement traité dans l'œuvre *Ethics of Money Production* (Mises Institute- Auburn 2008) par J.G. Hülsmann.

³ L. WOŁOWSKI (1864), p. 1-2 .

concept du *laissez-faire* qui a connu un développement particulièrement décisif en France.⁴

Il ne semblerait pas tout à fait hasardeux, pour sa présence ininterrompue dans l'évolution de la pensée économique française, de définir Oresme comme le premier lien de conjonction entre la tradition scolastique et la nouveauté radicale que la Physiocratie apportera. Quinze éditions de son oeuvre économique sont, en effet, apparues successivement de 1477 à 1677⁵ parmi lesquelles on pourra citer la célèbre édition éditée par le juriste et homme d'État allemand Freher Marquard en 1605.⁶

Il est de coutume de penser, en outre, que le changement de l'équilibre économique international, après la découverte du Nouveau Continent et l'afflux énorme de métaux précieux, est étudié et déchiffré dans le sillon tracé par la pensée monétariste scolastique. Des propositions importantes et originales se greffent sur la tradition séculaire dans une construction spéculative plus organique et sectorielle: la recherche sur la nature des échanges et la distribution de la richesse évoluent de plus en plus, en effet, vers des formes scientifiques autonomes et indépendantes.

Oresme, avec sa prose intense et articulée, a eu le mérite de présenter une théorie du cycle monétaire qui est un traité pionnier sur les rapports d'équilibre de la finance publique. On peut affirmer que sa construction intellectuelle a été un point de départ décisif pour les générations suivantes des intellectuels et des prévôts de l'administration de l'État.

L'influence de sa pensée sur la littérature monétaire de la période suivante est immédiatement, sans aucun doute, vérifiable et évidente. A.E. Monroe affirme, à ce propos, que Gabriel Biel (1425-1495) tout comme Copernic (1473-1543) - à qui l'on a attribué

⁴ Pour une vision plus complète de l'évolution des concepts de liberté politique et commerciale en France on recommande vivement la lecture de l'article «*La liberté du commerce et la naissance de l'idée du marché comme lien social*» (p. 219-230) par G. Faccarello dans l'oeuvre collective *Histoire du libéralisme en Europe* (PUF-Paris 2006) éditée par P. Nemo e J. Petitot.

⁵ L. GILLARD (1990B), p. 197.

⁶ Dans le *De Re Monetaria Romanorum et hodierni apud Germanos Imperii*, imprimé à Ladenburg par Gothard Voegelin en 1605, Freher Marquard (1565-1614) unis —avec un but généralement didactique— dans le but d' une publication unique sur l'oeuvre monétaire d'Oresme et le *Tractatus de Monetis* de Gabriel Biel .

d'une façon erronée dans le passé la paternité de la Loi de Gresham - et Bernardo Davanzati (1529 -1606) ne semblent pas s'éloigner de la doctrine d'Oresme.⁷ Ce constat est la preuve évidente de l'influence fondamentale d'Oresme dans l'évolution de la pensée sociale européenne.

En France, en particulier, ses textes sont restés longtemps un instrument précieux pour la formation culturelle des élites de l'administration royale. Une telle affirmation semble être confirmée par l'étroite corrélation entre ses théories politique-économiques et celles de Pierre Le Pesant Monsieur de Boisguillebert (1646 - 1714) qui naît, est élevé et vit une grande partie de son existence dans la ville de Rouen, où quelques oeuvres originales d'Oresme sont encore conservées aujourd'hui. «Loin - comme J.A. Schumpeter l'avait à juste titre remarqué dans son oeuvre sur l'histoire de l'analyse économique- de toutes les influences parisiennes qui auraient pu interférer avec l'originalité de ses idées»,⁸ Boisguilbert développe une doctrine dans laquelle - prônant l'effet de l'équilibre économique sur l'agriculture- il démontre que la base du système social est une série corrélationnelle de grandeurs économiques interdépendantes où frictions violentes et contrastes implacables sont intrinsèquement présents et prédominants⁹:

Mais le crime et la violence s'étant mis avec le temps de la partie, celui qui fut le plus fort ne voulut rien faire et jouir des fruits du travail du plus faible en se rebellant entièrement contre les ordres du Créateur et cette corruption est venue à un si grand excès qu'aujourd'hui les hommes sont entièrement partagés en deux classes, savoir, l'une qui ne .../...

Certaines parties de la communauté sont occupées à des négoce honorable ou utile à l'Etat tout entier, comme accôitre et gérer les richesses naturelles en vue de répondre aux besoin de la communauté [...]. Mais une autre partie accroît ses propres richesses par un gain méprisable, il en est ainsi des changeurs, .../...

⁷ Cfr. A.E. MONROE (2001), p. 30.

⁸ J.A. SCHUMPETER (1972) p. 637.

⁹ Dans la partie gauche, on pourra lire les passages de Boisguillebert et dans la partie droite les passages d'Oresme selon la traduction française de Jeanne Marie Viel.

<p><i>fait rien et jouit de tous les plaisir, et l'autre, qui travaille depuis le matin jusqu'au soir, a à peine le nécessaire, et en est même souvent privée entièrement.</i>¹⁰</p>	<p>merchants de monnaie ou billonneurs: ce négoce est honteux. [...].¹¹</p>
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La société, à son avis, se divise en deux classes aux antipodes: la première marquée par la production et par l'alacrité, la seconde avide et intéressée seulement à accumuler de l'argent. Ce comportement fait «perdre valeur à la vraie richesse et la vie économique.»¹² Boisguillebert, précédant les Physiocrates et l'École Écossaise, soutient qu'il faut *laisser-faire les natures et la liberté*¹³ comme remède à une situation de désordre et de pauvreté.

Sa formation scolastique est, en outre, inspirée d'une part des glosses oresmiennes et d'autre part des traductions aristotéliennes dans lesquelles l'arrogance de l'État, l'inégalité et la pauvreté entraînent par conséquent la corruption de l'homme. M. Beer a affirmé à juste titre, dans son enquête sur les fondements philosophiques de la Physiocratie, que ces mauvaises pratiques «sont rendues légales dans ces institutions qui forment la société civile grâce au consentement et à l'accord des mêmes hommes qui ne sont pas moins tachés du péché»¹⁴:

<p><i>à condamnation que Dieu prononça contre tous les hommes en la personne du premier, de ne pouvoir à l'avenir, après son péché, vivre ni subsister que par le travail et à la sueur de leur corps, ne fut ponctuellement exécutée que tant que l'innocence du monde dura, c'est-à-dire .../...</i></p>	<p>Ces hommes donc sont presque inutiles à l'État et certaines autres, comme les receveurs ou traitants de l'encaisse etc. s'approprient une grande part du gain ou de l'émolument provenant des changements de monnaies, et par ruse ou par hasard, s'enrichissent .../...</p>
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¹⁰ Passage tiré de la *Dissertation de la nature des richesses, de l'argent et des tributs, où l'on découvre la fautive idée qui le règne dans le monde à l'égard de ces trois articles* (1707) Chap. III in *Collection des principaux économistes*, ed. Guillaumin, Paris 1843

¹¹ N. ORESME (1989), chap. XXI; 1-2.

¹² Cité par J.A. SCHUMPETER (1972) p. 66.

¹³ Cité par J.A. SCHUMPETER (1972) p. 636.

¹⁴ M. BEER (1966), p. 69.

<p><i>tant qu'il n'y eut aucune différence de conditions et d'états; chaque sujet était son valet et son maître, et jouissait des richesses et des trésors de la terre à proportion que l'on avait personnellement le talent de les faire valoir ; toute l'ambition e tout le luxe se réduisaient à se procurer la nourriture et le vêtement. Les deux premiers ouvriers du monde, qui en étaient en même temps les deux monarques, se partageaient ces deux métiers; l'un laboura la terre pour avoir des grains, et l'autre nourrit des troupeaux pour se couvrir, et l'échange mutuel qu'ils pouvaient faire les faisait jouir réciproquement du travail l'un de l'autre.¹⁵</i></p>	<p>en contradiction avec Dieu et la justice, puisqu'ils n'ont pas mérité ces richesses naturelles, et sont indignes de tant de biens. D'autres en sont appauvris, qui sont les meilleures partie de cette communauté, de sort que le prince nuit par cela à une plus grande quantité des ses meilleurs sujets et les accable trop, et cependant tout le gain ne lui revient pas, mais une grande partie est prise par ceux déjà cités, dont le négoce est méprisable et mêlée à la fraude.¹⁶</p>
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D'une façon semblable à Oresme, le rappel à la prudence et à la modération devient urgent pour une tentative de responsabilisation générale:

<p><i>proportion d'intérêt est donc nécessaire entre toutes sortes de Commerçans, et que l'on ne tire pas une double utilité, en s'emparant de la part de l'autre; autrement toute l'harmonie sur laquelle route le mantien de l'Etat est entierement detruite.¹⁷</i></p>	<p>Il doit eslire gens de grande prudence et experts, et qui ont a cuer le bien pubblique ...il doit en toutes manieres exhorter les et adjurer qu'il donneront conseil juste et expedient pour la chose publique, chescun selon son advis liberalmente et franchement sans ce que le prince monstre ne par fiat ne par signe ne .../...</p>
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¹⁵ Passage tiré de la *Dissertation de la nature des richesses, de l'argent et des tributs, où l'on découvre la fauste idée qui le règne dans le monde à l'égard de ces trois articles* (1707) Chap. III in *Collection des principaux économistes*, ed. Guillaumin, Paris 1843.

¹⁶ N. ORESME (1989), chap. XXI; 3-4.

¹⁷ PIERRE LE PESANT DE BOISGUILLEBERT (1707), p. 376.

	<p>devant ne apres qu'il ait des- plaisance de la deliberation de deliberation de quelconque de eulz ne de tous, ne de leur co- rection.¹⁸</p>
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L'État, donc, troublant l'ordre naturel, pourrait contribuer à dénaturer les rapports d'équilibre. En effet, il disperse ou remet à une poignée d'usurpateurs la richesse nationale et cause ce désordre qui mine la même institution:

<p><i>Bien que la France soit plus remplie d'argent qu'elle n'a jamais été, que la magnificence & l'abondance y soient extrêmes, comme ce n'est qu'en quelques Particuliers, & que la plus grande partie est dans la dernière indigence, cela ne peut pas compenser la perte que fait l'Etat dans le plus grand nombre. Ou plutot à parler proprement, comme la richesse d'un Roiaume consiste en son terroir & en son commerce, on peut dire que l'un & l'autre n'ont jamais été entierement aneantie à l'égard des Etrangers, & beaucoup diminuée au dedans par des interets personnels, qui ont fait que l'on a surpris Messieurs les Ministres, en obtenant des Edits également dommageables au Roi et au peuple.¹⁹</i></p>	<p>Et encores qui est pire chose, les changeurs et les banquiers, qui scavent où lor a cours à plus hault pris, chacun en sa figure, ilz par secretes cautelles en diminuent le pays, et l'envoient ou vendent dehors aux merchands, en recevant diceulx autres pieces dor, mixtes et de bas aloy, desquelz ilz emplissent le pays.²⁰</p>
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L'analyse s'affine davantage quand on affirme que la vraie richesse reste dans la production des biens et dans leur commercialisation et non plus dans la monnaie ou dans l'accumulation stérile de métaux précieux:

¹⁸ N. ORESME (1489), pp. 329b-330a.

¹⁹ PIERRE LE PESANT DE BOISGUILLEBERT (1707), p. 18.

²⁰ L. WOŁOWSKI (1864), Prologue, p. 3.

Le premier législateur de l'antiquité avait si bien reconnu ce désordre, que la monnaie qu'il introduisit dans sa république était un métal si commun et d'un si grand volume que ce prétendu précis de toutes les denrées avait un corps presque aussi étendu que les choses qu'il représentait ; ainsi les voleurs, les banqueroutiers, et tous ceux qui ont besoin de secret et d'obscurité pour perpétuer les crimes n'en étaient pas beaucoup mieux servis.²¹

Et telz hommes prennent moult grant partie de gaing, émolument, venant par les mutations de monnaies, et malicieusement, voire par adventure, contre Dieu et justice, car ilz sont en moult grant richesse enveloppez, et si sont davoit tant de bien indignes.²²

La monnaie est principalement un moyen de satisfaction des besoins à travers une circulation rapide des biens nécessaires et indispensables à la survie:

Ce n'est donc ni l'étendue du pays que l'on possède, ni la quantité d'or et d'argent, que la corruption du cœur a érigés en idoles, qui font absolument un homme riche et opulent . [...] On voit par cette vérité, qui est encontestable, qu'il faut beaucoup qu'il suffise, pour être riche, de posséder un grand demaine et une très grande quantité de métaux précieux, qui ne peuvent que laisser périr misérablement leur possesseur quand l'un n'est point cultivé et l'autre ne se peut échanger contre le besoin immédiats de la vie, comme la nourriture et les vêtements, desquels personne ne
.../...

Parce qu'on ne subvient pas immédiatement au besoin de la vie avec une encaisse, qui est au contraire un instrument artificiellement inventé, pour échanger plus facilement les richesses naturelles. Et on peut montrer clairement sans autre preuve, que la monnaie frappée est fort utile à une bonne communauté civile, et avantageuse, voire même nécessaire, aux usages de l'Etat: comme le montre Aristote dans le livre V de Ethiques. Quoique Ovide dise à ce propos: «Les ressources qu'on extrait de la terre stimulent les mauvaises gens

.../...

²¹ Passage tiré de la *Dissertation de la nature des richesses, de l'argent et des tributs, où l'on découvre la fautive idée qui le règne dans le monde à l'égard de ces trois articles* (1707) Cap. III in *Collection des principaux économistes*, ed. Guillaumin, Paris 1843.

²² N. ORESME (1477), chap. XXI; 9-10.

*saurait se passer. Ce sont donc eux seuls qu'il faut appeler richesses, et c'est le nomme que leur donna le Créateur lorsqu'il en mit le premier homme en possession après, c'est-à-dire tant que l'innocence, au moins suivant le lois de la nature, subsista parmi les habitants de la terre, et les degrés de dérogeance à cette disposition ont été ceux de l'augmentation de la misère générale.*²³

[...]» Ceci est assurément le fait de la cupidité exagérée de mauvaises gens, et non de l'encaisse elle-même, qui est très propre au commerce humain, et dont l'usage est bon en lui-même.²⁴

La vitesse naturelle des transactions monétaires et commerciales doit être assurée afin que le circuit se forme en produisant constamment et en augmentant la richesse:

[...] à l'égard de ceux auxquels ils se procuroient leurs besoins par une circulation naturelle, qui fait que les fonds commerçans le mouvement, il faut que l'argent qu'ils forment pour fair sortir les derrées qu'ils produisent, passent par une infinité de mains, auparavant que son circuit achevé, ils reviennent à eux.²⁵

Car il est vraiment dans la nature de l'argent d'être échangée continuellement, la thésaurisation de longue période étant improductive, elle bloque le penchant à la consommation et entrave à la racine le processus économique naturel:

Si son Fermier ne l'avoit pas assuré qu'il ne lui peut bailler d'argent à l'écheance du terme qui approche, les garde bien secretemene, afin de le faire filer pour le simple nécessaire, & cette trop longue garde maintien l'argent dans un trop long repos contre sa nature, qui est de toujours marcher, & de produire du revenu à chaque pas qu'il fait.²⁶

²³ *Dissertation de la nature des richesses, de l'argent et des tributs, où l'on découvre la fauste idée qui le règne dans le monde à l'égard de ces trois articles (1707)*- Chap. I. in *Collection des principaux économistes*, ed. Guillaumin, Paris 1843).

²⁴ N. ORESME (1989), chap. I; p. 9-12.

²⁵ *Dissertation de la nature des richesses, de l'argent et des tributs, où l'on découvre la fauste idée qui le règne dans le monde à l'égard de ces trois articles (1707)* (Chap. I. in *Collection des principaux économistes*, ed. Guillaumin, Paris 1843) p. 10.

²⁶ PIERRE LE PESANT DE BOISGUILLEBERT (1707), p. 264.

Boisguilbert parle, avec perspicacité de «l'argent criminel» qui remplace la volonté commune et se dresse telle une divinité négative qui se trame finement, achemine l'économie nationale vers la tyrannie et dérouté les capitaux intérieurs dans des mains étrangères:

Mais il y a de l'argent criminel, parce qu'il a voulu être un dieu au lieu d'un esclave, qui, après avoir déclaré la guerre aux particuliers, ou plutôt à tout le genre humain, s'adresse enfin au trône et ne lui fait pas plus de quartier qu'à tout le reste, en lui refusant une partie des besoins dont il met tous les jours une quantité effroyable en poudre, étant même impossible que les choses soient autrement. Et le cruel est que, comme l'ignorance a fait admettre et souffrir sa tyrannie, elle redouble ses efforts pour empêcher toute sorte de fin à ces désordres, et fait chercher dans le redoublement du mal le remède de ceux qu'il a causés. Cet argent criminel, ou plutôt ses auteurs, ont la hardiesse et l'effronterie d'alléguer, lorsque la désolation publique est dans son dernier période, qui est leur unique ouvrage, que c'est qu'il n'y a plus d'espèces, et qu'elles ont passé dans le pays étrangers.²⁷

Un empêchement semblable se vérifie quand l'intervention sur la nature de l'argent —qui a comme qualité essentielle d'être inaltérable²⁸— devient ordinaire et fréquente:

L'argent est donc un gage incorruptible, que tous les hommes sont convenus de se bailler et de se prendre les uns des autres réciproquement sur le pié courant, pour se procurer pour autant de denrées dont ils ont besoin, parce que celui qui reçoit l'argent, est certain qu'il produira le même effet à son égard, pour le chose qui lui sont nécessaires. Personnes au monde ne le recevant pour le consommer, ou en faire magasin, à moins que ce ne soit pour en attendre un plus grande quantité et en produire un plus grande effet tout à la fois. De manier, que si toutes le denrées nécessaires

²⁷ *Dissertation de la nature des richesses, de l'argent et des tributs, où l'on découvre la fauste idée qui le règne dans le monde à l'égard de ces trois articles (1707)* -Chap. V in *Collection des principaux économistes*, ed. Guillaumin, Paris 1843.

²⁸ «Et pendant que l'argent a une qualité d'être inalterable, par les temps et les accidens.» PIERRE LE PESANT DE BOISGUILLEBERT (1707), p. 101.

à la vie avoient comme de l'argent un prix certain, et que le tems ne le altere especes d'or et d'argent, qui sont en bien plus grande abondance dans le Roiaume, que lors que le revenus en étoient plus considerables.²⁹

Dans le cas d'une mutation monétaire fréquente, on assiste inexorablement à une incertitude générale qui engendre «le début de tous les maux»³⁰ ainsi qu'un sombre et rancunier sentiment de révolte.³¹ Dans un *crescendo* de peur et d'avilissement, l'aversion à la perte devient la boussole pour chaque décision de l'avenir et au lieu du risque on préfère réduire au maximum les dépenses et ce choix contribue à fermer le circuit économique national et à appauvrir le pays réel:

Ainsi ils aiment mieux perdre l'intérêt que de hasarder à perdre le capital, se reduisant à faire moins de depense, ce qui est un surcroit de mal pour le corps de la Republique. De façon, que tous les revenus d'industrie cessent tout fait, et l'argent qui forme pour autant de revenu qu'il fait de pas, ne sortant point des fortes mainsm arrêre intierement son cours ordinaire ; ce qui met le pais dans une paralisie de tout ses membres, et fait qu'un Etat est miserable.³²

La ressemblance avec la pensée d'Oresme est surprenante et, en quelques cas, irréfutable. E. Roll, historien éminent de la pensée économique, relève en Oresme un esprit très «postérieur»³³ à qui l'on a proposé, non par hasard, le titre de *Doctor Anticipator*.³⁴

²⁹ PIERRE LE PESANT DE BOISGUILLEBERT (1707), p. 98.

³⁰ *Ibid.*, p. 51.

³¹ «Sedition, si comme il me semble, est conspiration ou conjuration ou comotion ou division ou dissention ou rebellion occulte ou manifeste d'un membre ou partie de la cité ou de la communauté politique contre une autre partie, si comme seroit de gens seculieres contre gens de Eglise ou de povres contre riches ou non-noble contre nobles ou d'un lignage ou d'un mestier ou d'une société contre autre ou d'aucuns subjects contre les princes, ou d'une partie d'un ost contre autre. Et est communelment faicte afin de mutation de gouvernement et de policie ou de seigneurs ou afin de vengeance». PIERRE LE PESANT DE BOISGUILLEBERT (1707), p. 375.

³² *Ibid.*, p. 100.

³³ E. ROLL (1992), p. 42.

³⁴ Cfr. S. M. BABBIT (1985), pp. 22-27.

Si au dire d'E. Daire, dans la préface de sa collection estimable des oeuvres des principaux économistes du XVIII^e siècle, Boisguilbert apparaît comme le premier rouage d'une «chaîne savante»³⁵ a semblé opportun de montrer combien son oeuvre est en partie aussi le fruit d'une réélaboration complexe et articulée de quelques idées qui ont déjà été exprimées de manière admirable et à qui la culture économique moderne est débitrice.

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³⁵ On lit la Préface par E. Daire en *Collection des principaux économistes*, ed. Guillaumin, Paris 1843.

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KAVAFIS AND MISES: MEANS AND END

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I MISES

1. Means and End as Abstract Methodical Tools

Mises stated¹ that in his theory of human action he starts from the axiom that an individual I_1 .

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¹ «To act means: to strive after ends, that is, to choose a goal and to resort to means in order to attain the goal sought.» Mises, Ludwig von, 2002 [1962], *The Ultimate Foundation of Economic Science*, p. 4, New York: Foundation for Economic Education.

«The sciences of human action start from the fact that man purposefully aims at ends he has chosen.» Mises, Ludwig von, 2007 [1957], *Theory and History*, p. 3, Auburn, Alabama, USA: Ludwig von Mises Institute.

«The result sought by an action is called its end, goal, or aim. [...] A means is what serves to the attainment of any end, goal, or aim.» Mises, Ludwig von, 1966 [1949], *Human Action*, p. 92, San Francisco: Fox & Wilkes, Fourth Revised Edition.

«Value is the importance that acting man attaches to ultimate ends. Only to ultimate ends is primary and original value assigned. Means are valued derivatively according to their serviceableness in contributing to the attainment of ultimate ends. Their valuation is derived from the valuation of the respective ends. They are important for man only as far as they make it possible for him to attain some ends.» Mises, Ludwig von, 1966 [1949], *Human Action*, p. 96, San Francisco: Fox & Wilkes, Fourth Revised Edition.

1. Chooses a certain end E_1 and puts aside other ends E_2, E_3, \dots, E_n that he considers he could choose instead of the end E_1 , and
2. He chooses, among the means $M_1, M_2, M_3, \dots, M_n$ which he considers will enable him to attain his chosen end, the means M_1 which he prefers and puts aside the other means M_2, M_3, \dots, M_n that he considers he could choose instead of the means M_1 . (The Axiom of Human Action)

Mises considers the terms *End* and *Means* abstract methodical tools which an individual may use to analyse human action. In other words, Mises does not consider something to be a *Means* or an *End* by itself (in an objective sense), but it is an individual who may consider it a *Means* or an *End*.

A means is what serves to the attainment of any end, goal, or aim. Means are not in the given universe; in this universe there exist only things. A thing becomes a means when human reason plans to employ it for the attainment of some end and human action really employs it for this purpose. Thinking man sees the serviceableness of things, i.e., their ability to minister to his ends, and acting man makes them means. It is of primary importance to realize that parts of the external world become means only through the operation of the human mind and its offshoot, human action. External objects are as such only phenomena of the physical universe and the subject matter of the natural sciences. It is human meaning and action which transform them into means.²

2. Means and End as Achronical Methodical Tools

Moreover, Mises considers the terms *End* and *Means* as achronical (out of time) methodical tools. Therefore, an individual I_1 may consider an action of his an *End* and a *Means* at the «same time».

For example:

² Mises, Ludwig von, 1966 [1949], *Human Action*, p. 92, San Francisco: Fox & Wilkes, Fourth Revised Edition.

1. Individual I_1 wants to go for a trip and he chooses D_1 as his end (destination) and he puts aside D_2, D_3, \dots, D_n that he considers he could choose instead of the end D_1 .
2. However, individual I_1 does not want to go to D_1 merely because he wants to be there. He wants to go to D_1 in order to attain a chosen end E_1 (e.g. to be entertained, to meet a certain individual, to participate in recreational activities or for another purpose). Therefore, D_1 is now considered a means that individual I_1 chose in order to attain his end E_1 .

On the other hand:

3. Individual I_1 needs to choose, among the means $T_1, T_2, T_3, \dots, T_n$ which he considers will enable him to attain his chosen end D_1 (e.g. travelling by airplane, train, car, bicycle, walking or an other means), a means of transportation T_1 which he prefers and to put aside the other means T_2, T_3, \dots, T_n that he considers he could choose instead of the means T_1 .

In summary, individual I_1 :

1. Chooses end E_1 and puts aside other ends E_2, E_3, \dots, E_n that he considers he could choose instead of the end E_1 .
2. Chooses, among the means $D_1, D_2, D_3, \dots, D_n$ which he considers will enable him to attain his chosen end E_1 , the means D_1 which he prefers and puts aside the other means D_2, D_3, \dots, D_n that he considers he could choose instead of the means D_1 .
3. Chooses, among the means $T_1, T_2, T_3, \dots, T_n$ which he considers will enable him to attain his chosen end D_1 , the means T_1 which he prefers and puts aside the other means T_2, T_3, \dots, T_n that he considers he could choose instead of the means D_1 .

Therefore, in this example D_1 is considered by individual I_1 a means and an end at the «same time».

Human life is an unceasing sequence of single actions. But the single action is by no means isolated. It is a link in a chain of

actions which together form an action on a higher level aiming at a more distant end. Every action has two aspects. It is on the one hand a partial action in the framework of a further-stretching action, the performance of a fraction of the aims set by a more far-reaching action. It is on the other hand itself a whole with regard to the actions aimed at by the performance of its own parts.³

II KAVAFIS

Kavafis states⁴:

When you start on the way to Ithaca,
 wish that the way be long,
 full of adventure, full of knowledge.
 The Laestrygones and the Cyclopes
 and angry Poseidon, do not fear:
 such, on your way, you shall never meet
 if your thoughts are lofty, if a noble
 emotion touch your mind, your body.
 The Laestrygones and the Cyclopes
 and angry Poseidon you shall not meet
 if you carry them not in your soul,
 if your soul sets them not up before you.

Wish that the way be long,
 that on many summer mornings,
 with great pleasure, great delight,
 you enter harbours for the first time seen;
 that you stop at Phoenician marts,
 and procure the goodly merchandise,
 mother-of-pearl and corals, amber and ebony,
 and sensual perfumes of all kinds,
 plenty of sensual perfumes especially;

³ Mises, Ludwig von, 1966 [1949], *Human Action*, p. 45, San Francisco: Fox & Wilkes, Fourth Revised Edition.

⁴ Kavafis Constantinos P., *Ἰθάκη* in *Ποιήματα 1897-1933*, Ἰκαρος 1984, translated by George Valassopoulo and published as *Ithaca* in *The Criterion* 2/8 in July 1924, available at www.cavafy.com. Ithaki was written in 1911.

to wend your way to many Egyptian cities,
to learn and yet to learn from the wise.

Ever keep Ithaca in your mind,
your return thither is your goal.
But do not hasten at all your voyage,
better that it last for many years;
And full of years at length you anchor at your isle
rich with all that you gained on the way;
do not expect Ithaca to give you riches.

Ithaca gave you your fair voyage.
Without her you would not have ventured on the way.
But she has no more to give you.

And if you find Ithaca a poor place,
she has not mocked you.
You have become so wise, so full of experience
that you should understand already what
these Ithacas mean.

Kavafis (1863-1933) uses the story of Odysseus, who needed 10 years to return to his home in Ithaki from Troia, as a metaphor for our lives. He presents a *more distant end* (e.g. success, happiness, prosperity) as Ithaki island and our actions to achieve it (*intermediate ends, means*) as a voyage toward Ithaki. The central message is that an individual should not concentrate too much on his *more distant end*, because he will lose the opportunity to enjoy the actions he takes in order to achieve *intermediate ends* (*Means*). Kavafis, like Mises, considers an action both as a *means* in order to achieve a *more distant end* and as an *end*.

1. Means and End, Cause and Effect

If individual I_1

1. Chooses a certain end E_1 and puts aside other ends E_2, E_3, \dots, E_n that he considers he could choose instead of the end E_1 , and
2. He chooses, among the means $M_1, M_2, M_3, \dots, M_n$ which he considers will enable him to attain his chosen end, the means

M_1 which he prefers and puts aside the other means M_2, M_3, \dots, M_n that he considers he could choose instead of the means M_1 (The Axiom of Human Action)

then he would act M_1 in order to achieve E_1 , because he considers M_1 to be a cause of the effect E_1 . However, M_1 may cause other effects $F_1, F_2, F_3, \dots, F_n$ as well.

Kavafis states that the voyage (cause, means M_1) will cause

- the effect reaching Ithaki (effect, end E_1),
- the effect adventures (effect F_1)
- the effect knowledge (effect F_2)
- the effect visiting new places (effect F_3)
- the effect tough times (effect F_4) (Laestrygonians and Cyclopes)
- the effect pleasure (effect F_5)
- the effect joy (effect F_6)
-
- the effect F_n

Therefore, from all effects only one is chosen as an end.

2. Means, End, Cause, Effect and Time

Above I said that if an individual I_1 acts M_1 the effects will be $E_1, F_1, F_2, F_3, \dots, F_n$. If, however, he could reach his *End* E_1 instantly he wouldn't be able to experience the effects $F_1, F_2, F_3, \dots, F_n$.

Therefore, Kavafis said that an individual should hope his voyage (*Means* M_1 in order to achieve a *more distant end* E_1) to be a long one, because the longer the voyage the more effects $F_1, F_2, F_3, \dots, F_n$ will be caused by M_1 . His advice to the acting individual is to enjoy those effects, e.g. to consider them *ends*.

Even if an acting individual faces a lot of difficulties and disappointments (Laestrygonians and Cyclopes) when he tries to achieve a *more distant end*, he should not try to reach his *more distant end* as quickly as possible in order to avoid those tough times, because tough times are a valuable experience (an *End*), something which an individual can benefit from.

Nevertheless, an individual should never forget his *more distant end*. This is what gives meaning to each of his actions (*means and end*) However, once he has attained his *more distant end*, he will realise that this is only «a part of the value». He will then understand what Ithacas (*more distant ends*) mean.

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GARY NORTH: A CRITIQUE

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I

INTRODUCTION

In this paper I take Gary North to task for several errors in his recent writings. In section II I address North (2012a). Section III is devoted to a critique of North (2012b). The purpose of section IV is to explore the propriety of criticizing a fellow Austrian-libertarian, with whom I am in agreement in probably 99% of all issues in political economy. I conclude in section V.

II

ECONOMISTS VS. THE GOLD COIN STANDARD

North (2012a) is a very, very good essay on behalf of using gold as money. Entitled «Economists vs. the Gold Coin Standard,» it is an utter intellectual annihilation of the mainstream economics profession on this vitally important question.

However, in the course of his essay, he makes several relatively minor mistakes.

But, before I get to them, let me say that I regard them as only minor errors in an otherwise excellent, no, make that magnificent piece. This author explains in great detail why most mainstream

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economists think a full gold (coin) standard will lead to economic disarray. He also unearths in great detail the evils of the fed in suborning most mainstream money-macro economists.

What are the difficulties I see with this piece? There are several:

1. Normative and positive economics

North (2012a) states: «Austrian School economists oppose central banking.»

No, Austrian economists can't oppose or favor anything. To say that they do is to violate the normative positive distinction. Austrians are limited to saying that a given policy will have thus and thus effects; they logically cannot say, qua Austrians, that a policy is good or bad, nor may they favor or oppose it, again qua Austrian economists. Certainly, they can do so as citizens, as ethicists, as philosophers, but economics per se is and must be value free, despite the fact that this stricture is all too often violated, as in the present case.¹

But what about the following objection issued by Marron (2009)?

I have one problem with this distinction, however: it overlooks a great deal of what economists actually do.

Here's one simple example: Congress is considering legislation that would create a cap-and-trade system for limiting emissions of greenhouse gases. Under that system, emitters would have to own enough carbon allowances to cover their emissions.

Congress is also considering using an auction to distribute some of these allowances. As a normative matter, I think that's a great idea (but I wish they would auction even more).

Suppose that Congress decides that the auction should be designed in order to raise as much money as possible for the taxpayer. (Which I also think is a great idea – again a normative judgment.)

¹ For a debate on this issue, see Block and Cappelli, unpublished.

Question: When economists work to design this auction, are they doing positive economics, normative economics, or something different?

It seems clear to me that these economists are not doing positive economics. After all, they are designing a system, not observing how it works.

However, I don't think they are doing normative economics either. As I've structured the question, the economists aren't engaged in any value judgments. Congress has made the relevant normative decisions (e.g., deciding to use an auction to maximize revenue and deciding how many allowances to give away). The economists are just trying to figure out how to accomplish that goal.

In this case, I think the economists are acting as engineers, not scientists or philosopher-kings. And based on my years in government, I can tell you that there is a lot of economic engineering going on.

So, I am tempted to tell my students (in direct contradiction to the textbook) that there are actually three kinds of economics: positive, engineering, and normative.

But this objection is easily refuted. The normative - positive distinction refers, only, and solely, to statements, not all actions. For example, the utterances «the auction is a good idea,» and «the auction is a bad idea» are both normative. In very sharp contrast, the statements «policy x will raise as much money as possible for the taxpayer,» and «policy y will raise as much money as possible for the taxpayer» both clearly belong in the positive realm. But actually working on x or y are human *actions* (Mises, 1998), not mere declarations.² As such, they can be viewed both through a normative lens (this is a good act, this is a bad act), and a positive one (this act will attain its goal, this act will not attain its goal). Thus there is no need to deny the normative positive distinction, nor to invent third categories, such as «engineering.»

² It cannot be denied that speech, too, constitutes human action, but it is a different type. *Making* a statement is a human action. But the statement *itself* is not. The normative - positive distinction applies to statements, not actions, even though the latter can be viewed both on a moral basis and on an efficiency one.

Let me take another hack at this. Marron (2009) avers: «It seems clear to me that these economists are not doing positive economics. After all, they are designing a system, not observing how it works.» But why should positive economics be limited to «observing.» These economists, in any reasonable understanding of positive economics, are doing precisely that: stringing together a bunch of positive economic statements, with the goal of creating an «auction to maximize revenue.» Again, there is no valid argument leading to the denial of this distinction, nor any need for a third category.

2. Anarchism

According to North (2012A):

[Mises's] disciple Murray Rothbard promoted 100% reserve banking. But, because he [Rothbard] opposed the existence of the state, his call for 100% reserves was not a call for legislation requiring 100% reserves.

Murray Rothbard (1973, 1982) of course opposed the state.³ But, according to North (2012a), Rothbard would therefore have to oppose all legislation or laws. Yet, clearly, Rothbard (as a libertarian, not an Austrian economist), favored laws against murder, rape, etc. In his view, they would be implemented not by the government, but by private defense agencies. It is a misconstrual of free market anarchism to say that advocates of this philosophy oppose all laws.

Au contraire: libertarians are *supporters* of proper law, i.e., laws upholding individual rights and private property. Indeed, the criticism of the government from this quarter is that it violates such proper law.

³ On normative grounds, he thought it immoral, since it necessarily violated the libertarian non aggression principle. On positive grounds, he denied that it was conducive to human well being.

3. Free banking

States North (2012a):

As far as I can see, operationally speaking, his [Rothbard's] position was the same as Mises's position: free banking.

No, Rothbard (1988) opposed (again, as a libertarian, not an Austrian) the free banking system; for example, that of Selgin (1994) and White (1992, 1995).

States Rothbard (1988, footnotes deleted) in this matter:

Professor White's *Free Banking in Britain* has already had a substantial impact on the economics profession. The main influence has been exerted by one of the book's major themes: the «wonderful» results of the system of free banking in Scotland, a system that allegedly prevailed from 1716 (or 1727) until suppressed by the Peel Act in 1845. White's Scottish free-banking thesis consists of two crucial propositions. The first is that Scottish banking, in contrast to English, was free during this era; that while the English banking system was dominated by the Bank of England, pyramiding their notes and deposits on top of the liabilities of that central bank, the Scottish system, in stark contrast, was free of the Bank of England... The second part of the syllogism is that this free system in some way worked much better than the English. Hence, the triumphant conclusion: that free banking in Scotland was far superior to centrally controlled banking in England. White claims that the salutary effects of free banking in Scotland have been long forgotten, and he raises the hope that current public policy will heed this lesson.

The influence of White's thesis is remarkable considering the paucity of his research and the thinness of his discussion... White's thesis on Scottish banking has been hastily and uncritically accepted by many diverse scholars, including the present writer. This has been particularly unfortunate because, as I shall demonstrate, both parts of Professor White's syllogism are wrong. That is, the Scottish banks were (1) not free —indeed, they too pyramided upon the Bank of England— and (2) not surprisingly, they worked no better than the English banks.

4. Graduate School in Economics

In the view of North (2012a):

There has been a glut in Ph.D.s since 1969. It has gotten worse every year. But, because university departments are paid more by the university for graduate students than for undergrads, the faculties have an incentive to recruit students into graduate school. He was sucked in. He did not see my debate (North versus Block, 2011) on why it is not a good idea to get a Ph.D. in economics.

I don't put this error of his in the same category as the other three. Those were objective mistakes. This one I merely disagree with. With regard to that debate, North took the position that no one should go to graduate school for a doctorate in this field, whereas I took the far more moderate position that while to be sure this is not for everyone, surely it is an appropriate decision for some.⁴

I find this article of North's frustrating, as I did that debate at the Mises University (North v. Block, 2011). In both cases, my intellectual opponent merely plows ahead with his views, and pretty much totally ignores his critics, me in this case. Several times during that event in 2011 I asked him, explicitly, to reply to my points. He did not. With regard to my point 4 mentioned supra regarding this article of his I am now discussing (North, 2012a), I had previously criticized his viewpoint (Block, 2008). Did he condescend to respond to the points I made counter to his thesis? He did not. That procedure of his does not seem to me to be a particularly scholarly one. The essence of this enterprise, at least as I understand it, it to get to the Truth. How can we scholars do so if we do not come to grips with the views of those who disagree with us?

Speaking of condescension, in personal correspondence I tried to communicate my misgivings about North's (2012a) article with him, regarding the first three points mentioned above. His

⁴ They don't call me Walter Moderate Block for nothing.

response? He stated: «Walter you ignore the obvious: At zero price, my time is in greater demand than supply. I must pick & choose my responses, writing 9 articles a day (paid subscribers), and being in the final phase of updating my 31 volumes» and referred me to more of his very voluminous (and for the most part very excellent) publications. Namely, he failed to come to grips with my criticisms, as all too often is his wont.

Well, happily, I have a job that allows me the time to engage with fellow scholars, and not only during the summer break from university. Perhaps this is but one more bit of evidence that the academic life, for which a Ph.D. is required, is not all that bad, at least for some of us. If any readers are considering going to graduate school in economics and want some free advice, please e-mail me at wblock@loyno.edu. I'll have sufficient time to try to help you out with this decision.

III

LET THE EURO DIE . . . SOON

In North (2012b), he states the following:

De Soto begins with a summary of the Austrian theory of the monetary system. He begins with Rothbard's position: 100% reserve banking. This means that banks may not legally issue warehouse receipts to gold or silver that they do not have in storage. They may not legally issue checks for more money than they have as deposits.

This restriction is opposed in theory to the rule proposed by Ludwig von Mises. Mises believed in free banking. He did not believe that the government should establish any reserve requirement for the commercial banks, because he did not trust the government to make a judicial ruling that would apply to all banks. He did not trust politicians' ability to make a judgment regarding the correct percentage. He believed that the banking system, through competition, and through the enforcement of contracts, would establish the proper reserve ratio.

Rothbard promoted 100% reserve banking. But there is something that is never mentioned by the Rothbardians in relation to

banking: Rothbard was an anarchist. He did not believe that the state should even exist. Therefore, in his ideal banking system, it is impossible for the state to impose a 100% reserve requirement, because there is no state. There is no agency with the legal right to send an agent with a badge and a gun to tell a banker how much gold or silver he should have in reserve for accounts.

This means that, in practice, Mises's system of free banking is the operational standard for those people who are followers of Rothbard on the issue of banking and civil government. If there is no state to impose 100% reserve banking, then the system must operate in terms of a market-enforced banking system. While the two systems are opposed in theory, they would be the same in practice.

But this is an error.

If Dr. North were correct, it not only follows that in the Rothbardian system there would be «no agency with the legal right to send an agent with a badge and a gun to tell a banker how much gold or silver he should have in reserve for accounts.» Another logical implication is that there would be «no agency with the legal right to send an agent with a badge and a gun to tell a» rapist to stop his depredations, e.g., to forcibly stop the rapist. There would be «no agency with the legal right to send an agent with a badge and a gun to tell a» murderer to cease and desist, e.g., to forcibly stop the murderer.

Now this is highly problematic. Did Dr. North not ever hear of private defense agencies that Murray Rothbard (1973) wrote about again and again? Of course these private police would stop murderers and rapists and thieves and their ilk, and of course private courts would punish them, according to libertarian theory, *à la* Rothbard. And the same goes for criminals who engage in fraud, whether by writing bad checks, trying to counterfeit credit cards, or by engaging in fractional reserve banking!⁵ So Professor Jesus Huerta de Soto is entirely correct

⁵ For the argument that fractional reserve banking constitutes fraud, see Bagus (2003), Bagus, Howden and Block (forthcoming), Barnett and Block (2005b, 2008, 2009), Baxendale (2010), Block (2008), Block and Caplan (2008), Block and Garschina (1996),

on this particular dispute between them, and Dr. North is in error.

IV THE PROPRIETY OF ARGUMENTATION, EVEN WITHIN THE FAMILY

In this section I attempt to deal with several objections to the foregoing. These are not so much with my substantive points (under Rothbardian anarchism, law would exist and law-breakers would be punished, etc.) as to query, Why am I attacking North in the first place? Isn't he one of our best economists and philosophers? Why don't I save my venom for the likes of Keynes, Krugman, Obama, Romney, etc? This objection might even take this piquant form: I hate it when two of my favorite people fight; Mommy and Daddy, please don't quarrel. Let me say the following in response

1. I *greatly* respect Gary North as a libertarian theorist and as an Austrian economist. I would go so far as to say I regard him as a friend, colleague and fellow traveler as an Austro libertarian. I said as much in the outset of this debate of mine with him (North versus Block, 2011) over whether or not we should encourage at least some young members of our movement to seek Ph.D.s in economics and go on to careers in academia. Moreover, I have learned a lot from reading his many, many books and articles and his numerous public speeches. Let me single out two of them here for special praise: North (1992, 2002). I myself have a long paper trail in terms of criticizing Coase (Barnett and Block, 2005a, 2007, 2009; Block 1977, 1995, 1996, 2000, 2003, 2006, 2010A, 2010b, 2010c,

Block and Humphries (2008), Block and Posner (2008), Davidson (2008), Davidson and Block (2011), Hanke (2008), Hoppe (1994), Hoppe, Hulsmann and Block (1998); Huerta de Soto (1995, 1998, 2001, 2006, 2010), Hulsmann (1996, 2000, 2002a, 2002b, 2003, 2008), Murphy (2010), North (2009), Polleit (2010), Reisman (1996, 2009), Rothbard (1975; 1990, 1991, 1993), Salerno (2010a, 2010b, 2011).

- 2011). I regard Dr. North as one of my chief allies in this very important venture. Not only is he one of the most productive members of our own movement, I think it is fair to say that he has probably written and published more merely in terms of quantity than perhaps any other economist or philosopher of his age. And not only is he to be congratulated for the quantity of his contribution. He writes beautifully, scintillatingly, and right to the point. His critical assessments of Coase and the Chicago School (I trust these are still legitimate targets for criticism?) are among the best that have ever been penned.
2. There is nothing wrong and virtually everything right about close allies such as the two of us having at it with each other on the rare issues on which we disagree. How else are we to learn from each other, and get that proverbial one millionth of an inch closer to the Truth? (For a previous publication of mine along these lines, see this: Block (2010d).⁶ We are, after all, not a Randian cult (Rothbard, 1987). There, no disagreement is ever allowed. If any follower of Objectivism criticizes and leader of this movement, even in the most polite way imaginable, he is summarily booted out and boycotted by all the others. This is personally obnoxious and stultifying. It is no wonder that the influence of their group has been limited by these practices. In stark contradistinction to them, we are permitted, nay, I claim, encouraged, to disagree with each other, even given that we all start from the same Austrian and libertarian basic premises. On several occasions, Murray N. Rothbard criticized his revered teacher and mentor Ludwig von Mises (see Rothbard, 1962, ch. 10, Rothbard, 1982, ch. 26C; Modugno, 2010, 108-110).⁷ This is in the finest traditions of academia; it is precisely (part of) what it means to be an intellectual: a pursuit of truth wherever it leads.
 3. Of course, disagreements within our family have to be measured. They must be respectful. Ideally, there must be as little ego involvement in them, and as much disinterested seeking

⁶ For a brilliant and scintillating exegesis on the importance of argumentation for philosophical proofs, see Hoppe (1995) on the «a priori of argumentation.»

⁷ I owe this latter cite to Doug French.

after truth as we fragile and imperfect humans are capable of. Name calling, nasty disparagement should never be used, even against our intellectual enemies who espouse Marxism, totalitarianism, socialism, fascism, liberalism, conservatism, feminism, (anti private property) environmentalism and other such despicable philosophies. Even more so is this important within our own group, which certainly includes North and me. But, surely, I have not exceeded these bounds, or even come close to doing so in any of my criticisms of him. I shudder at the thought that I have been guilty of any such thing.⁸

V CONCLUSION

Gary North has made signal contributions to Austrian economics and libertarian political theory. Yet, no one is perfect. We can all learn not only from the positive contributions of others, but also from their mistakes, if they are pointed out. That has been the burden of the present paper: to correct several errors made by this philosopher-economist-historian with regard to Rothbardian free market anarchism, the normative-positive distinction, graduate school education and civil discourse.

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