

LEADING VOICES FOR
LIBERTY

Complimentary to AVANCE readers
No. 3 | May 2024

IN OUR TIME



Javier Milei:
Address at Davos
(19 January, 2024)

COMMENT BY JESÚS HUERTA DE SOTO



LEADING VOICES FOR
LIBERTY IN OUR TIME

Complimentary distribution to
AVANCE magazine readers

Irregular frequency
No. 3. May 2024

Editor: Juan Pina
Deputy Editor: Federico López



HQ: Gran Vía, 6, cuarta planta,
E-28013 Madrid, Spain
www.fundalib.org | avance@fundalib.org

ISSN: 2792-2146. Legal Dep. TO 126-2021

This publication is an AI-assisted translation of its Spanish original. The publishing of this content does not imply that the magazine and/or the Foundation necessarily agree with the views expressed.

Photos: Shutterstock and archives.

This magazine is financially supported by the Atlas Network, a global network of pro-freedom think tanks. For more information, visit www.atlasnetwork.org.



Who is Javier Milei

Javier Milei (Buenos Aires, 1970) is an Argentine economist and politician. He graduated with a degree in Economics and developed his professional career in the financial and academic fields, working as chief economist and advisor in various private entities, as well as teaching at university level. He gained public notoriety as an economic analyst and commentator in the media, where he defended liberal-libertarian positions that were highly critical of state intervention in the economy.

He began his political career in the 2020s and was elected a member of the national parliament in 2021. In 2023, he won the presidential election and took office as President of Argentina in December of that year. His government's actions have been characterized by a program aimed at reducing public spending, reforming the state, and economic liberalization. Milei has participated in numerous international forums and global debates on economic and general policy.

UNCHAIN LIBERTY, GET AVANCE MAGAZINE EVERY MONTH

Receive the Spanish language mag
and its supplements at your home.



Just go to the Foundation's payment gateway and choose the monthly option for a donation of at least six euros (or eight if residing out of Spain, twelve if outside the EU). Then, write to avance@fundalib.org specifying your name, surname, and full postal address. To place your donation, scan this QR code with your smartphone or go to:

<https://donorbox.org/libre-donacion-fundalib>

Address to the World Economic Forum*

Davos, 19 January, 2024

JAVIER MILEI

President of Argentina

CONTENT

1. PRESIDENT JAVIER MILEI'S FULL ADDRESS.....	4
2. COMMENT ON PRESIDENT MILEI'S ADDRESS, by Jesús Huerta de Soto.....	12

* Translation of the speech delivered in Spanish by Javier Milei, President of Argentina, at the annual meeting of the WEF in Davos (Switzerland) on January 19, 2024.

1

FULL ADDRESS BY PRESIDENT JAVIER MILEI

Good afternoon, thank you very much. Today I am here to tell you that the West is in danger. It is in danger because those who are supposed to defend Western values have been co-opted by a worldview that inexorably leads to socialism, and consequently to poverty. Unfortunately, in recent decades, the main leaders of the Western world—some motivated by a desire to help others, others by a desire to belong to a privileged caste—have abandoned the model of freedom, embracing instead different versions of what we call collectivism.

We are here to tell you that collectivist experiments are never the solution to the problems afflicting the citizens of the world, but rather, on the contrary, are their cause. Believe me, no one better than us Argentines can testify to these two issues. When we adopted the model of freedom back in 1860, we became the world's leading power in just thirty-five years, while when we embraced collectivism over the last hundred years, we saw our citizens systematically become poorer until we fell to 140th place in the world. But before we can proceed, it is important that we first look at the data that supports why free enterprise capita-

lism is not only a possible system for ending poverty in the world, but also the only morally desirable system for achieving this. If we consider the history of economic progress, we can see how from the year zero to approximately 1800, global GDP per capita remained virtually constant. If you look at a graph of economic growth throughout human history, you will see a graph shaped like a hockey stick, an exponential function that remained constant for 90% of the time and skyrocketed exponentially from the 19th century onwards. The only exception to this history of stagnation occurred at the end of the 15th century with the discovery of America. But apart from this exception, throughout the entire period between the year zero and the year 1800, global GDP per capita remained stagnant.

However, not only did capitalism generate an explosion of wealth from the moment it was adopted as an economic system, but if one analyzes the data, what can be observed is that growth has been accelerating throughout the entire period. Between the year zero and 1800, the growth rate of GDP per capita remained stable at around 0.02% per year. In other words, there was practically no growth. From the

19th century onwards, with the Industrial Revolution, the growth rate rose to 0.66%. At that rate, it would take 107 years to double per capita GDP.

But if we look at the period between 1900 and 1950, the growth rate accelerated to 1.66% per year. We no longer need 107 years to double GDP per capita, but 66. And if we take the period between 1950 and 2000, we see that the growth rate was 2.1% per year, which means that global GDP per capita doubled in just 33 years. Far from stopping, this trend continues today.

If we take the period between 2000 and 2023, the growth rate accelerated again to 3% per year, which means that global GDP per capita can double in just twenty-three years.

When we study per capita GDP from 1800 to the present day, we see that, after the industrial revolution, global per capita GDP increased more than fifteenfold, generating an explosion of wealth that lifted 90% of the world's population out of poverty. We must never forget that in 1800, nearly 95% of the world's population lived in extreme poverty, while that number fell to 5% in 2020, just before the pandemic.

The conclusion is obvious: far from being the cause of our problems, free enterprise capitalism, as an economic system, is the only tool we have to end hunger, poverty, and destitution across the globe. The empirical evidence is unquestionable. Therefore, since there is no doubt that free-market ca-

pitalism is superior in terms of productivity, the leftist dogma has attacked capitalism on moral grounds: for being, according to them, unfair.

They say that capitalism is bad because it is individualistic and that collectivism is good because it is altruistic, with other people's money, and consequently they strive for "social justice." But this concept, which has become fashionable in the first world in the last decade, has been a constant in political discourse in my country for more than eighty years. The problem is that social justice is not only unfair, but it also does not contribute to general well-being. On the contrary, it is an intrinsically unfair idea because it is violent. It is unfair because the state is financed through taxes, and taxes are collected coercively. Can any of us say that we pay taxes voluntarily? This means that the state is financed through coercion and that the higher the tax bur-

"Those who should defend Western values have a worldview that leads to socialism, and therefore to poverty".

**"Collectivist experiments
are never the solution
to problems. On the
contrary, they are
their cause".**

den, the greater the coercion and the less freedom there is.

Those who promote social justice start from the idea that the economy as a whole is a pie that can be distributed differently, but that pie is not a given. It is wealth that is generated in what Israel Kirzner calls a process of discovery. If the good or service offered by a company is not desired, that company goes bankrupt, unless it adapts to what the market is demanding. If it produces a good quality product at an attractive price, it will do well and produce more. So the market is a process of discovery in which the capitalist finds the right course as he goes along. But if the state punishes the capitalist for being successful and blocks him in this process of discovery, it destroys his incentives, and the consequence is that he will produce less and the pie will be smaller, causing harm to society as a whole.

Collectivism, by inhibiting these proces-

ses of discovery and hindering the appropriation of what has been discovered, ties the entrepreneur's hands and prevents him from producing better goods and offering better services at a better price.

How can it be, then, that academia, international organizations, politics, and economic theory demonize an economic system that has not only lifted 90% of the world's population out of extreme poverty, and is doing so at an ever-increasing rate, but is also fair and morally superior? Thanks to free enterprise capitalism, the world is now at its best. Never in the history of humanity has there been a time of greater prosperity than the one we are experiencing today. Today's world is freer, richer, more peaceful, and more prosperous than at any other time in our history.

This is true for everyone, but it is particularly true for those countries that are free, where economic freedom and individual property rights are respected. Those countries that are free are twelve times richer than those that are repressed. The lowest decile of the distribution of free countries lives better than 90% of the population of repressive countries, has twenty-five times fewer poor people in the standard format and fifty times fewer in the extreme format, and, as if that were not enough, citizens of free countries live 25% longer than citizens of repressive countries.

Now, to understand what we are defending, it is important to define what we mean

when we talk about libertarianism. To define it, I return to the words of the greatest champion of freedom in our country, Alberto Benegas Lynch (Jr.), who says that "libertarianism is the unrestricted respect for the life project of one's neighbor, based on the principle of non-aggression, in defense of the life, liberty, and property of individuals. Its fundamental institutions are private property, markets free from state intervention, free competition, division of labor, and social cooperation. Success can only be achieved by serving others with better quality goods or better prices."

In other words, the capitalist, the successful entrepreneur, is a social benefactor who, far from appropriating the wealth of others, contributes to the general welfare. In short, a successful entrepreneur is a hero. This is the model we are proposing for the Argentina of the future. A model based on the fundamental principles of libertarianism: the defense of life, liberty, and property. Now, if free enterprise capitalism and economic freedom have been extraordinary tools for ending poverty in the world, and if we find ourselves today at the best moment in human history, it is worth asking why I say that the West is in danger.

I say that the West is in danger precisely because in those countries that should defend the values of the free market, private property, and other institutions of libertarianism, there are sectors of the political and economic establishment, some due to

errors in their theoretical framework and others due to ambition for power, that are undermining the foundations of libertarianism, opening the doors to socialism and potentially condemning them to poverty, misery, and stagnation.

Because we must never forget that socialism is always and everywhere an impoverishing phenomenon, which has failed in every country where it has been tried. It was a failure economically, it was a failure socially, it was a failure culturally, and it also killed more than 100 million human beings

Today, the essential problem of the West is that we must not only confront those who—even after the fall of the Berlin Wall and despite overwhelming empirical evidence—continue to strive for impoverishing socialism, but also our own leaders, thinkers, and academics who, committed to a mistaken theoretical framework, undermine the foundations of the system that has

**"Free enterprise
capitalism is the only
tool we have to end
hunger, poverty, and
destitution".**

"Thanks to free enterprise capitalism, the world is now at its best.

There has never been greater prosperity".

given us the greatest expansion of wealth and prosperity in our history.

The theoretical framework I am referring to is that of neoclassical economic theory, which designs a set of tools that, unintentionally, ends up being functional to state interference, socialism, and the degradation of society. The problem with neoclassical economists is that, since the model they fell in love with does not map onto reality, they attribute the error to supposed market failures instead of revising the premises of their model. Under the pretext of a supposed market failure, regulations are introduced that only generate distortions in the price system, thus preventing economic calculation and, consequently, savings, investment, and growth.

This problem stems essentially from the fact that not even supposedly libertarian economists understand what the market is, because if they did, they would

quickly see that it is impossible for such a thing as market failure to exist. The market is not a supply and demand curve on a graph. The market is a mechanism of social cooperation where property rights are voluntarily exchanged. Therefore, given that definition, market failure is an oxymoron. There is no such thing as market failure. If transactions are voluntary, market failure can only occur when there is coercion. And the only agent with the capacity to coerce on a widespread basis is the state, which has a monopoly on violence. Consequently, if someone believes that there is a market failure, I would recommend that they check whether there is state intervention involved. And if they find that there is no state intervention involved, I suggest that they redo the analysis because it is definitely wrong. Market failures do not exist.

An example of the supposed market failures described by neoclassical economists is the concentrated structures of the economy. However, without functions that present increasing returns to scale, whose counterpart is the concentrated structures of the economy, we could not explain economic growth from 1800 to today. How interesting. Since 1800, with the population multiplying more than eight or nine times, per capita output has grown more than fifteen times. In other words, there are increasing returns, and that has reduced extreme poverty from 95% to 5%. However, the presence of increasing returns implies

concentrated structures: what would be called a monopoly.

How can something that has generated so much well-being be a market failure according to neoclassical theory? Neoclassical economists, think outside the box. When the model fails, don't get angry at reality; get angry at the model and change it.

The dilemma facing the neoclassical model is that they say they want to improve the functioning of the market by attacking what they consider to be failures, but in doing so, they not only open the door to socialism, but also undermine economic growth. Example: creating monopolies through regulation, destroying profits, and destroying increasing returns automatically destroys economic growth.

In other words, every time you want to correct a supposed market failure, inexorably—either because you don't understand what the market is or because you have fallen in love with a failed model—you are opening the door to socialism and condemning people to poverty. However, faced with the theoretical demonstration that state intervention is harmful, and faced with the empirical evidence that it failed—because it could not be otherwise—the solution proposed by collectivists is not greater freedom, but even greater regulation, generating a downward spiral of regulations until we are all poorer and all our lives depend on a bureaucrat sitting in a luxurious office.

Given the resounding failure of collectivist models and the undeniable advances of the free world, socialists were forced to change their agenda. They left behind the class struggle based on the economic system and replaced it with other supposed social conflicts that are just as harmful to community life and economic growth. The first of these new battles was the ridiculous and unnatural fight between men and women. Libertarianism already establishes equality between the sexes. The cornerstone of our creed says that all men are created equal, that we all have the same inalienable rights granted by the creator, including life, liberty, and property. The only thing this radical feminist agenda has achieved is greater state intervention to hinder the economic process, providing jobs for bureaucrats who contribute nothing to society, whether in the form of women's ministries or international organizations dedicated to promoting this agenda.

"The successful entrepreneur is a social benefactor who, far from appropriating the wealth of others, contributes to the general welfare".

"Market failure is an oxymoron. It does not exist if transactions are voluntary, and can only occur when there is coercion".

Another conflict that socialists raise is that of man against nature. They argue that human beings are damaging the planet and that it must be protected at all costs, even advocating population control mechanisms or the bloody agenda of abortion. Unfortunately, these harmful ideas have strongly permeated our society. Neo-Marxists have managed to replace common sense in the West. They achieved this by taking over the media, culture, universities, and yes, international organizations as well. The latter case is the most serious because these are institutions that have enormous political and economic influence over the countries that comprise them. Fortunately, more and more of us are daring to raise our voices. Because we see that if we do not fight these ideas head-on, the only possible outcome is that we will have more government, more regulation, more socialism, more poverty, less freedom, and, consequently, a lower standard of living.

Unfortunately, the West has already begun to go down this path. I know that to many it may sound ridiculous to suggest that the West has turned to socialism. But it is only ridiculous to the extent that one adheres to the traditional economic definition of socialism, which states that it is an economic system where the state owns the means of production. This definition should, in my view, be updated to reflect current circumstances.

Today, states do not need to directly control the means of production to control every aspect of individuals' lives. With tools such as monetary issuance, debt, subsidies, interest rate control, price controls, and regulations to correct supposed market failures, they can control the destinies of millions of human beings.

This is how we have reached the point where, under different names or forms, most of the political offerings generally accepted in most Western countries are variants of collectivism, whether they openly declare themselves to be communist, fascist, socialist, social democratic, national socialist, Christian democratic, neo-Keynesian, progressive, populist, nationalist, or globalist.

At heart, there are no substantive differences: they all argue that the state should direct all aspects of individuals' lives. They all defend a model contrary to the one that led humanity to the most spectacular progress in its history.

We come here today to invite the other countries of the West to return to the path

of prosperity. Economic freedom, limited government, and unrestricted respect for private property are essential elements for economic growth. This phenomenon of impoverishment produced by collectivism is not a fantasy. Nor is it fatalism. It is a reality that we Argentines have known very well for at least a hundred years, because we have already experienced it. We have already been through this. Because, as I said before, since we decided to abandon the model of freedom that had made us rich, we have been caught in a downward spiral in which we are becoming poorer every day. In other words, we have already experienced this, and we are here to warn you about what can happen if the Western countries that became rich with the model of freedom continue on this path of servitude.

The Argentine case is empirical proof that it does not matter how rich you are, how many natural resources you have, how skilled or educated your population is, or how many gold bars are in the central bank's vaults. If measures are adopted that hinder the free functioning of markets, free competition, and free pricing systems, if trade is hindered, if private property is attacked, the only possible outcome is poverty. Therefore, to conclude, I want to leave a message to all the entrepreneurs here today and to those who are not here but are following us from all over the world. Do not be intimidated by the political caste or by the parasites who live off the state. Do not

surrender to a political class that only wants to perpetuate itself in power and maintain its privileges. You are social benefactors. You are heroes. You are the creators of the most extraordinary period of prosperity we have ever experienced. Let no one tell you that your ambition is immoral. If you make money, it is because you offer a better product at a better price, thereby contributing to the general welfare. Do not give in to the advance of the State. The State is not the solution. The State is the problem itself. You are the true protagonists of this story, and know that from today onwards, you have Argentina as your unconditional ally.

Thank you very much, and...
Long live freedom, damn it!

"Do not be intimidated. You are heroes. Do not give in to the state. The state is not the solution. It is the problem itself".

2 COMMENT BY PROFESSOR JESÚS HUERTA DE SOTO

(Class taught on Thursday, January 25th, 2024)

Most of the students have already sent me their comments on Argentine President Javier Milei's speech last week in Davos, and some of them say to me, "That's all well and good, but what would you say, Professor?" It's a smart question. As a student, I would ask it too, and without wanting to influence you, especially since some students joined late, I am going to tell you and give you my comments on President Javier Milei's speech last week at the World Economic Forum in Davos.

* * *

Rather than a typical speech, Javier Milei gave a truly brief, concise, concrete, and brilliant lesson in economics that lasted no more than twenty-three minutes and, curiously (or perhaps not so curiously), reflected the main theme of our Political Economy course at this faculty this year. Therefore, it fits like a glove. That's why, when I finished listening to the speech live, I said to myself: "But this is exactly what we are going to teach and what

is indicated in the program! What could be better than asking the eighty-seven students enrolled to read Milei's speech in Davos right at the beginning of the course? Because this will give them an overview of what we are going to learn together over the next four months." That is the reason, as you now know, why I assigned you this homework, this text commentary, this activity to do at home. But what does the president say? First, let's briefly summarize what he says, and then I will comment on each important point in more detail.

* * *

The content of the lecture is very clear. It begins by saying that humanity has experienced, throughout history, especially during the last two hundred years, surprising economic prosperity that has also been accelerating. Secondly, it says that this prosperity is the result of the market economy, individual freedom, respect for private property, the free enterprise economy, and the capitalist system; that is the second thesis.

The third thesis states that socialism (which he sometimes refers to as collectivism throughout the lecture) and collectivism are impoverishing; that wherever they have prevailed, they have condemned humanity to poverty. But he not only asserts that socialism and collectivism are impoverishing, but also that they are immoral and have been responsible for the murder of more than 100 million people. Another essential idea in the speech is that he cites his own country, Argentina, as an example, which from being one of the richest countries in the world (thanks to its liberal constitution and until the second decade of the 20th century) has been ruined as a result of the interventionist and socialist policies that have been carried out in that country since then. Taking Argentina as an example, Milei says that the West is in danger because cultural trends in the West are betraying the principles of the market economy on which its development and prosperity have been built. Therefore, socialism is a threat to humanity, but Milei argues that the term socialism needs to be redefined (here I score a point because he owes this to me!); the term socialism must be redefined, although rather than socialism, we should talk about "statism" and define it as any system of institutional aggression against the free exercise of human action; and that statism prevails everywhere.

Finally, President Milei refers to two other realities. First, he points out that there is a cultural battle in which, given the success of capitalism, its enemies have been left with

virtually no proletarians and have been forced to seek other victims to rally around in order to somehow justify the banner of state intervention, and thus he mentions feminism, egalitarianism, the environment, and so on.

Second, he asserts that everyone is infected with socialism: it doesn't matter if they are Nazis, socialists, fascists, Christian Democrats, social democrats, American liberals, etc. He concludes with a hymn to freedom and the exercise of entrepreneurship. This is basically what President Milei says

Let's now very briefly read some parts of his speech verbatim to see how Milei expresses himself in his own words. For example, he says:

The conclusion is obvious: far from being the cause of our problems, free enterprise capitalism, as an economic system, is the only tool we have to end

"Rather than giving a typical speech, Javier Milei delivered a brief, concise, concrete, and brilliant lesson in economics".

"Milei asserts that socialism and collectivism impoverish people and are also immoral, responsible for one hundred million deaths".

hunger, poverty, and destitution across the globe. The empirical evidence is indisputable.

He refers to the correct economic theory of the Austrian school and quotes Israel Kirzner, one of my mentors, professor emeritus at New York University, who conceives of the market as a “process of discovery and creativity.”

Javier Milei defines the concept of freedom by quoting my beloved Argentine colleague Alberto Benegas Lynch. He also makes a very sharp criticism of neoclassical libertarian economists when he says: “there are even many libertarian economists who do not understand how the market works” (a veiled criticism of Milton Friedman and his Chicago School), when he states:

The market is not a supply and demand curve on a graph;

the market is a mechanism of social cooperation where people voluntarily exchange goods and services.

I personally dislike the term “mechanism” and prefer to refer to the market as a “process.” He then criticizes neoclassical economists who use a model that is divorced from reality and believe they can detect market failures. He argues that there are no monopolies in the free market and, if there are, they are beneficial, before going on to refer, as we have said, to how interventionists left behind the class struggle based on the economic system to replace it with other supposed social conflicts, and lists the supposed victims. He ends his speech with praise for entrepreneurs, whom he encourages and supports by saying:

Do not be intimidated by the political caste or by the parasites who live off the state. Do not surrender to a political class whose only desire is to perpetuate itself in power. You are social benefactors.

He refers to the correct economic theory of the Austrian School and quotes Israel Kirzner, one of my mentors, professor emeritus at New York University, who conceives of the market as a “process of discovery and creativity.”

* * *

Now, let's make a series of specific comments following this thread.

First point: on whether the Davos Forum is supposedly a capitalist forum friendly to business. I say this because many media outlets have reported: “It seems unbelievable, if he went to a forum of businesspeople and capitalists, how could they not agree with him?” Make no mistake, it's quite the opposite! We are being manipulated by the media, which has a vested interest in doing so. It is similar to what happens in relation to Adam Smith. If the enemies of freedom and the market portray those who hold intermediate or “half-hearted” positions as champions of freedom and the market, then it gives them the opportunity to defend their intervention and manipulate our lives even more deeply.

The Davos Forum is part of that group of organizations connected to the “caste” (in Milei's terminology), to the “establishment.” It is true that many businesspeople go to Davos, but most of them are big businesspeople, or, as Milei says, crony capitalists (those who live off the state), who have accepted the social engineering agenda, and who are characterized by their arrogance and their nose for making money, but at the expense of cozying up to and flattering the state and statist. Therefore, Milei was not in an environment friendly to the true market economy; he was not in a forum of true

capitalists independent of the state. Milei was in a forum where, upon hearing him, they were not only surprised but in a state of shock: they are so accustomed to the virus of interventionism that has infected them so much that they could not expect to hear such a frontal attack on the system that feeds them and to which they are accustomed.

I have also referred to and given the example of how this manipulation by interventionists also takes place in relation to Adam Smith. Because they have managed to generalize the idea that the supposed founder of economics, the “great” Adam Smith, somehow represents the quintessence of liberalism. Don't believe it, don't be mistaken! Adam Smith's influence has been very negative for economic science and, in fact, Adam Smith represents the beginning, the embryo, of that “classical” or “neoclassical” school that Javier Mi-

"President Milei refers to the correct economic theory of the Austrian School and quotes Israel Kirzner".

"It is true that many entrepreneurs go to Davos, but most of them are largely privileged, as Milei denounces".

lei so expressly criticizes in his discourse. In effect, Adam Smith abandoned the subjective theory of value in our discipline and introduced the objective theory of value, according to which value is something intrinsic to things. Later, his disciples said, "And what is intrinsic to things?" Well, the amount of labor incorporated into them, that is, the objective theory of labor value. Adam Smith, in short, served Marxists an erroneous intellectual framework on a silver platter, which they then used to base their theory of exploitation and Marxism. If that is a liberal, may God come down and show himself and tell us. But what's more, Adam Smith's supposed liberal proposals were more than lukewarm: he was full of contradictions.

Adam Smith defended the Navigation Acts, which were the quintessence of interventionism in the field of international trade, controlling interest rates, public works, public education, and so on. In short, Adam

Smith was, at best, a lukewarm "liberal" in the Anglo-Saxon (or social democratic) sense. And he was also wrong in his conception of the market, because he was only interested in studying what he called the "natural long-term equilibrium price," that is, that final, static stage on the basis of which neoclassical economists subsequently constructed the equilibrium model that is largely responsible for many people believing that state intervention is possible and desirable. It is obvious that if Adam Smith is said to be the epitome and quintessential example of economic freedom, this alone can be used to justify going even further in the direction of social engineering and socialist interventionism. This clarifies the first point regarding the Davos Forum and the context in which President Milei found himself.

* * *

Second point: empirical evidence. Be careful with empirical evidence! We have already explained in class that history does not prove anything. History, at best, illustrates a correct theory. What's more, there is no history outside of theory, but there is a historical narrative based on a correct theory, which is precisely what Milei presents in his speech. And what is this "historical evidence"? Well, it's very simple: it is expressly mentioned that thanks to the market economy and the capitalist system since the Industrial Revolution, the world's population has in-

creased almost ninefold. But we are not only nine times more, dear students, today we are already more than eight billion inhabitants. Two hundred years ago, there were barely a billion. But not only are there eight or nine times more people, but, more importantly, the per capita income, the average well-being of each of those people, of those human beings, has increased fifteenfold!

Let me give you an example that I remember personally. In 1962, it was the Second Vatican Council (I was a child). Do you know how many people there were on Earth in 1962? Three billion two hundred million people. Today there are eight billion, that is, more than double (in fact, almost triple). But what is more important is that those three billion two hundred million were much poorer compared to the standard of living we have achieved today. And thanks to capitalism and the market economy, according to official data, seventy million people a year have been lifted out of poverty in the last twenty years. Seventy million people a year in twenty years means one billion four hundred million people have left the poverty line. And thanks to what? Well, thanks to the fact that the monstrous madness of a communist named Mao Zedong, who ruined his country and left it in tatters, was replaced by a new policy that made a 180-degree turn and allowed China to open up to international trade, the market economy, and the capitalist system, becoming the world's factory and adding 1.5 billion people to the global mar-

ket. Incidentally, today the middle and upper classes in China number in the hundreds of millions, comparable to the population of the entire European Union. And there lies the next "tiger," which, make no mistake, is India. As soon as India, which has won the election, begins to liberalize its economy, which has been sclerotic for decades due to interventionism and social engineering, it will undoubtedly take over from China and give another boost to the market economy and the global capitalist system, and all this with a great advantage, with a great advantage because India's political environment is a democratic one in the Anglo-Saxon tradition, something the Chinese lack.

In the 1930s, a young Argentine officer was assigned as military attaché to the Argentine embassy in Rome, Italy. Those were the years of Mussolini's fascism. That young man was dazzled by what he saw as a perfect organization of society imposed by force

"The market is a dynamic and evolving process, driven by the force of entrepreneurial creativity".

"Juan Domingo Perón is primarily responsible for plunging Argentina, once one of the richest countries, into poverty".

from above, which also fit perfectly into his military schemes of what the army should be. The young officer thought: "How wonderful it is to see what the Duce and fascism are doing in Italy! I hope I can do the same in my country one day!" That young man's name was Juan Domingo Perón, and when he returned to Argentina, that is exactly what he did. He is primarily responsible for plunging Argentina into poverty. I repeat, Argentina has gone from being one of the richest countries in the world to one of the poorest. It is a country that is five times larger than Spain, with 47 million inhabitants and a per capita income that is half that of Portugal.

Until the 1920s and 1930s, Argentina was such a rich country that it attracted immigrants, including, among many others, my maternal grandfather. My maternal grandfather decided to go to Argentina because it was like emigrating to New York, and in fact, he bought his ticket and went to Argentina.

He had landed a wonderful job as the manager of a magnificent ranch covering thousands and thousands of hectares. When the owner saw him, he thought, "What a handsome man! How lucky I am to have a Spaniard, a Galician, here to manage these gauchos." But things took a turn for the worse when he invited my grandfather, as he told me, to come into a room. He opened it and it was full of weapons, rifles, pistols, and he said, "Well, choose one, because you have to be armed." At that moment, my grandfather turned pale and decided to turn back. He bought another ticket and returned to Spain because he hated guns! I am telling you this anecdote because, like him, many went to Argentina to earn a living, and today the tables have turned. Today, it is Argentines who emigrate to Spain. There are more than 600,000 Argentines in Spain, and very few Spaniards emigrate to Argentina. It is similar to what happened when the Iron Curtain was still in place, when everyone wanted to leave communist Germany for the capitalist Federal Republic of Germany. There must be a reason for this. Why is it? It is because of freedom.

* * *

And this is the *third point* I wanted to clarify in my comment. What is the concept of freedom? Friedrich Hayek, winner of the 1974 Nobel Prize in Economics, wrote two very important works that you must read.

One is entitled *The Constitution of Liberty* (which in Spanish is in its eighth edition published by Unión Editorial), and the other is *Law, Legislation and Liberty*. (Law, Legislation and Liberty in English). Hayek explains that there are two opposing definitions of freedom, and that they have nothing to do with each other. One is the true definition and the other is the erroneous and prostituted definition, because if anything characterizes the enemies of the market, it is their ability to semantically corrupt attractive terms. That is, they craft what are called "weasel words," an expression taken from *As You Like It*, one of Shakespeare's plays. Why "weasel words"? Because, as Shakespeare says, weasels are capable of emptying an egg from the inside while leaving its shell intact.

That is exactly what the enemies of the market do when they semantically manipulate and take advantage of terms that interest them. For example, "democracy" is a very attractive term for people, so they will redefine the concept of democracy: they will call it "popular democracy" or "organic democracy" (the latter was Franco's). The concept of justice is very attractive to citizens, so they will redefine it by removing all its content and keeping the shell according to their interests, and introduce a new concept such as "social justice." The concept of the rule of law is very appealing, so they do the same thing, corrupting its meaning and renaming it "social rule of law." What's more, look at the height of audacity when it

comes to semantic corruption. Haven't we said (and now we are going to prove it, as Milei explains) that it is freedom that advances civilization, lifts people out of poverty, and brings prosperity to the world? Haven't we said that the hindrance to this process is collectivism or socialism? Well, look at this semantic corruption: the defenders of state interventionism, socialism, social engineering, and collectivism call themselves "progressives." They are the "progressives." Of course, who is going to be against "progress"? Do you realize the semantic poison that is being surreptitiously introduced into our minds?

But let's return to the concept of freedom, which is what interests us now. Hayek says that there are two completely opposing concepts of freedom: the correct concept and the erroneous concept, which has been prostituted by collectivists precisely in order to take hold of such a beautiful term as "free-

"In a system based on freedom, coercion cannot be used against another human being under any circumstances".

"The correct concept of freedom is very simple: the absence of coercion, period, that is, no aggression".

dom" and use it instrumentally in pursuit of their social engineering goals. The correct concept of freedom is very simple: the absence of coercion, period, that is, no aggression (this concept is included in Benegas Lynch's definition of freedom). Mind you, freedom is not a "disposition," make no mistake. This is another corruption, already traditional in Spain since Ortega y Gasset and Marañón. People say: "I am liberal because I have a certain disposition. What is your disposition? My disposition is that I tolerate everything, I think all behaviors are fine, all behaviors must be respected. Are you one of the twenty-seven types of families invented by the Ministry? Oh, how wonderful! How modern! Because I am liberal-minded. You say that the world must be enslaved in pursuit of a grandiose social engineering project? Well, that is also respectable because everything must be respected." This is perhaps the only point on which I might

find a small flaw in Benegas Lynch's definition, because he begins by defining freedom as "unrestricted respect"; but be careful, it must be interpreted; it is only respected in the sense that in a system based on freedom, coercion cannot be used in any case against another human being.

This and no other is the true definition of freedom. On the other hand, what is the distorted definition of freedom? It is the definition of freedom as "being able to do," that is, I am free if I can achieve whatever I want. Notice what a huge difference there is: "I like this young lady, so why shouldn't I rape her? I have the right to be free. "I like Professor Huerta de Soto's gold car, so why shouldn't I steal it? Because I have the right to, I can." To be able to do, to be able to go to the moon, to be able to save humanity, a power. Notice how the means are hidden from us and the opportunity, the pretext, is given to use the means of systematic coercion by the state, under the pretext that thanks to this we will be able to achieve Nirvana, paradise, here and now in this world. That is, just the opposite of what the traditional concept of freedom as the absence of coercion really means. And the absence of coercion implies respect for private property, for life, respect for voluntary contracts. Contracts are a *do ut des*, a voluntary agreement; there is no coercion in them, and both parties always win because if they did not win, they would not voluntarily enter into the agreement or contract.

* * *

Fourth point included in Javier Milei's speech: economic theory. He says that much of the justification for impoverishing interventionism lies within the realm of economic science, and he is right. Here, we economics professors would have to sing a *mea culpa* because there are two radically different approaches in our discipline: the correct approach and the wrong approach. Let's do a very brief summary of both. What is the correct approach to economic science? The one that studies the market processes of which each and every one of us is a part, as they are in reality; that studies the market as a dynamic and evolutionary process driven by the force of entrepreneurial creativity of each and every one of the eight billion human beings that make up humanity. Incidentally, this correct conception of the market is the one that has traditionally been developed by the so-called Austrian School of economics. However, it should not be called the Austrian School of Economics, but rather the Spanish School of Economics, because it has its origins in the contributions of those brilliant thinkers who were our scholastics of the Spanish Golden Age of the School of Salamanca, and this is the subject of several of my works that we will study throughout this course. Notice how I follow the thread of the program's content, drawing on the speech by President-Professor Milei. Furthermore, the correct concep-

tion of the market, which we are going to study together, is dynamic, as it conceives of the market as a dynamic and evolutionary process, driven by human entrepreneurial action that continuously and tirelessly seeks new ends and means to achieve what we consider valuable in an environment of freedom and with contractual and voluntary links. In short, the market is understood as an entrepreneurial process in which profits are continually sought, but not out of greed, but because profits indicate that one is acting well, allocating scarce resources to the most valued and socially urgent ends; in the same way that losses indicate that society's scarce resources are being misused by devoting them to ends when they should be devoted to other alternative purposes where they are much more urgently needed.

This correct conception of the market gives rise to another essential idea, which is also one of my humble contributions, and

"Milei is right: much of the justification for interventionism lies in the field of economics".

"The market is a process in which profits are always sought, not out of greed but because they indicate that one is acting correctly".

that is the concept of dynamic efficiency. This is very important. A company, an organization, a society is considered to be all the more efficient, but in dynamic terms, the more it promotes creativity and coordination (always in dynamic terms). Opposite to this model of the economy, we have the opposite model, which has been spreading and becoming increasingly dominant in the economics departments of even the most prestigious universities. This should come as no surprise, as all of them are public or dependent on public money. In other words, what we have here is a kind of feedback loop or symbiosis between interest groups that want to scientifically justify statism and social engineering. They conceive of the study of economics as centered on a static model, a snapshot, a model of equilibrium.

I remember the first economics class I ever taught. Right at the beginning of the

course, the professor said, "Let's assume that all the information in the market is given and does not change." and, from there, he began to fill the blackboard with graphs and mathematical formulas and continued like that for the rest of the course. Notice, "all the information is given and does not change"! This is equivalent to taking a photograph, blocking all human creative capacity, and, from there, constructing a grandiose mathematical model. We have the case of Pareto. In his *Manual of Political Economy*, he says: "Let's suppose that humanity disappears," for example, that a neutron bomb falls and no human beings are left alive (a neutron bomb kills only biological matter but does not destroy the rest). Pareto says: "If humanity disappears, the economy as I understand it, of equilibrium and mathematics, will of course continue to exist and its problems can be solved as long as all human beings, before dying, have left us their corresponding map of indifference-preference curves" —he says this literally—.

Notice what a phantasmagorical and sick world neoclassical economists have in their minds: the "world of equilibrium." Where does this world come from? From the virus originally introduced by Adam Smith, as I have already said. For them, the correct model of efficiency, the correct concept of efficiency, is not the concept of dynamic efficiency, which is conspicuous by its absence. In their model, there are no creative human beings, no entrepreneurs, no dy-

namism. All there is, at best, are "dynamic stochastic general equilibrium models" populated by that crude caricature of human beings that are "representative agents" who behave like robots or "penguins" who merely react to events. In these models, only the concept of static efficiency (not dynamic) understood in its Paretian sense: a perfect adjustment that would occur in the unreal world of Nirvana, where everything has already been discovered, coordinated, and solved.

This clash of paradigms is very important, and it is very important that you are aware that we are going to teach the course from the perspective of the correct paradigm (the dynamic and creative one) and not from the perspective of the wrong paradigm (the static one). And I am very grateful to President Milei for being able to give such an in-depth economics class in Davos in just twenty-three minutes, because, as I was saying, it serves as a perfect introduction to the course we are now beginning.

But the audacity does not stop there. In the world of natural science, which is characterized by evidence and laboratory experiments, natural scientists are relatively much more honest. If they develop a model, compare it with reality, and see that reality refutes the model, they abandon the model and say that it is scientifically false. This is not the case with economists (who cling to following the scientists of the natural world like lambs, using the same methodology and mathema-

tical models). They develop their grandiose, static, equilibrium model, where human beings are conspicuous by their absence. And if they see that reality does not match the model, instead of discarding the model, they say that reality is wrong, that reality is full of "market failures." And this is another of the brilliant ideas that President Milei explains perfectly. And therefore, obviously, *prima facie*, at first glance, if reality is full of "failures" because it does not match my model that only exists in my sick mathematical mind, this would justify from the outset that the nanny state imposes by force, coerces, and violates reality and brings it into line with the model. That is the scheme of equilibrium economists; and in the study programs, developed (of course!) by state officials, they force us to study a whole string of supposed market failures. Milei only refers, by way of example, to one of them in particular: the much-feared monopoly.

"I am extremely grateful to President Milei for giving such an in-depth economics lesson in Davos".

"The study programs developed by officials force us to study a whole string of supposed market failures".

* * *

The same thing that happens with the two opposing conceptions of economics happens with monopoly. There are two concepts of monopoly, a correct concept and a mistaken concept. This is where the Austrian School has made one of its most brilliant contributions. In fact, Milei has once stated that he was originally one of the “bad” economists, one of the mainstream ones (nobody’s perfect!). However, fifteen years ago, he came into contact with the Austrian School (and with the classes taught at this university) and, through the Austrian economists’ critique of the neoclassical theory of monopoly, he “saw the light” (his own words). From then on, he became an Austrian economist. Monopoly comes from the Greek monos (one) and polein (to sell). For neoclassical economists, monopoly is the worst of all worlds.

How is monopoly defined? If there is only one seller in a sector or industry, why is monopoly so bad for neoclassical economists? Because according to their functions of supply, demand, marginal costs, etc., monopoly exploits the consumer. Therefore, the state must impose antitrust laws to use all its power to force people to “compete.” This is what we have been sold. But this narrative is false from beginning to end. What matters is not whether there is a single seller in a given sector, among other things, because the concept of sector or industry cannot be defined in objective and scientific terms.

For example, Coca-Cola, what sector is it in? If we say, “the beverage sector,” there is no monopoly because I can drink water, wine, tea, and many other things; if we narrow it down and say, “it’s in the soft drinks sector (sodas, as they say in the United States),” then yes, it is reduced because here there are almost only Pepsi-Cola and Coca-Cola; and if we narrow it down even further and say, “it’s in the dark sweet soft drinks industry and they also advertise saying Coca-Cola,” then in the end there is a monopoly.

Let’s look at another example, economics professors. I don’t have a monopoly on economics professors; there are thousands of them, but if we say, “economics professors in Madrid,” there are a few less; if we consider “economics professors at Rey Juan Carlos University,” then there are even fewer professors; if we narrow it down even

further: “economics professors at Rey Juan Carlos University who specialize in the Austrian School and are over sixty years old,” then yes, I do have a monopoly! In that sense, we would all have a monopoly, and therefore the definition given makes no sense.

But, in addition, in reality it is irrelevant if in a given sector we seem to observe that there is a single seller, because in the absence of institutional coercion by the state, the fact that there is a single seller at a given moment, in a given time and place, far from indicating that there is a tragic monopoly situation that exploits consumers, indicates just the opposite: that an entrepreneur, in specific circumstances, has served consumers so well, for example, by discovering a new product that has revolutionized their lives, or by being able to sell it much more cheaply, or both at the same time, that he has been left alone. Far from persecuting this monopolist with the law, the police, fines, and the courts, we should erect a monument to him. Nor is the narrative that he is left alone and exploits consumers valid.

In the market, every day is a new dawn, there are no acquired rights; all it takes is for the highly successful entrepreneur to let his guard down a little for multiple competitors to immediately come out of the woodwork. Just ask IBM, which controlled the computer market for half my life (with a market share of almost 80%) and then fell victim to its own arrogance and mainframes (in fact, they laughed at those who came to offer

them a personal computer). And what happened? Today, IBM is practically irrelevant in the world of hardware.

The important thing is not whether there is a single seller, but whether a businessman “prebendario” (a beneficiary of privileges), as Milei says, one of those involved in “crony capitalism,” has managed to get the state to give him a privilege, *ius privilegium*, to exploit a good in circumstances of exclusivity, using all the coercive power of the state to prevent other creative entrepreneurs from accessing “his plot.”

Therefore, in a market economy without state coercion, the much-feared monopoly does not exist. And if it seems to arise, it indicates, in a dynamic conception, that it is serving consumers better than anyone else (here Milei makes a slightly more convoluted argument about economies of scale, concentration, etc.). With all due respect, I would add a small “but” here, because al-

"In a market economy, without state coercion, the much-feared monopoly does not exist".

"The entrepreneur has the incentive to discover and solve every imbalance, which is a business opportunity".

though he knows it well, he could have enriched his argument even further, although he would almost certainly find it too complex for his audience, given the time constraints).

* * *

The dynamic approach of Austrian economic theory explains that the origin of coordination in the market lies in entrepreneurial activity because every entrepreneurial act produces three effects of extraordinary importance. The first effect is the creation of information: the entrepreneur realizes or discovers that there is an opportunity for profit; for example, that a resource is being misused here and could be sold at a high price there because someone else needs it. In other words, the human being's "entrepreneurial light bulb" goes on, and they discover that opportunity for profit. Furthermore, the great wonder is that all the imbalances in so-

ciety, which are almost infinite and constantly changing, tend to be discovered and solved in a spontaneous and undirected way. The imbalances are almost infinite because there are eight billion human beings, each one unique, with different ideas, volitions, value judgments, and so on; the imbalances are therefore immense and changing, and it is normal for us to drown in such chaos. However, and this is the great wonder that the free market brings and economic science explains, a spontaneous order is generated because each imbalance is reflected in an opportunity for profit or gain that remains latent to be discovered by an entrepreneur. The entrepreneur has the incentive to discover and solve each imbalance: "buying cheap here and now and selling dear there or tomorrow." The first effect is therefore the creation of information. The second effect is the transmission of information, because when one acts entrepreneurially, one carries out an act of exchange that reflects a market price, which is like a powerful signal that indicates in successive waves and throughout the social fabric that, for example, there is demand for a certain product and it can be bought or sold at a certain price. And that vitally important information is transmitted thanks to those powerful messages that are market prices, which in such a condensed form are capable of transmitting information of such great social value.

First, the creation of information; second, the transmission of information; and third, the effect of coordination and adjust-

ment. In the end, those who squandered the resource tighten their belts and make sacrifices because they realize, on their own initiative and in their own interest, that it is in their best interest to economize and save it for others who need it. As in the example I usually give: when I was studying at Stanford and was driven to school in the mornings, sleepy behind the garbage truck, where you could read "The crap you throw away is what feeds us. Thank you very much." And the baker, the butcher, and the milkman get up at four in the morning, not for the pleasure of serving us so we can have breakfast, but for their own interest: because in a voluntary exchange, both parties always win: they earn a living and I can have breakfast.

* * *

But the Austrian School's dynamic concept of the market demonstrates something else that is extremely important. The Austrian School's economic theory shows that it is impossible to organize society from above on the basis of coercive mandates. I am not, therefore, entering into any political considerations here. I am simply stating that economic science has shown that the grand ideals of social engineering and statism are systematically doomed to failure because it is impossible to achieve the objectives sought by social engineering and statism, for the following four reasons (which we will discuss below in order of importance):

First, it is impossible for the governing body, the group of experts, the ministry in charge, the rulers, our political representatives, the Gosplan, whatever; it is impossible for them to take in the immense volume of information that is continuously created and generated by the eight billion beings that make up humanity. Even if we assume that all the information is given and does not change. And this is the least important argument. And here a debate has arisen between my disciples and the so-called "cybercommunists" who believe that with the advances in new computer systems, it is possible to digest and account for an immense volume of information. But the cybercommunists are radically mistaken because the new cybernetic systems and new technologies and communications act as a springboard that exponentially multiplies the capacity of those eight billion human beings to create and modify new information, and therefore

"The great wonder of the free market, explained by economic science, is that it generates spontaneous order".

"The Austrian School demonstrates that it is impossible to organize society from above on the basis of coercive mandates".

makes it radically impossible to control at the state level.

The second argument is much more important. It consists of the fact that the type of information that is vital for human beings and on which our lives depend is information that has peculiar characteristics: it is "know-how," not "know-that"; it is tacit information that can only be learned by acting in the particular contexts of time and place in which we carry out our human, business, and creative activities. It is, therefore, information that cannot be articulated, cannot be written in an article, whether scientific or journalistic. It cannot be incorporated or stored on a computer disk. The great Michael Polanyi says in his book *The Study of Man* that it is the information belonging to those who learn, for example, to ride a bicycle.

Has anyone ever learned to ride a bike by reading a book? Not even the eccentric

British learn to play golf by reading a book! How do you learn to ride a bike? By getting on a bike, falling off and getting back on again several times: in short, by trial and error. And in the same way, you learn how to run a business and make a profit. For example, Steve Jobs went bankrupt twice before he got it right. Nor can you learn from a book how to woo a beautiful woman; that requires trying many times and getting rejected many times. The fact is that this tacit and inarticulate information is what is truly relevant to the life of every human being and, therefore, the most important for civilization, and by its very nature, it cannot be transmitted to a central coordinating body to be incorporated into a decree-law and give coordinating content to its mandates.

Third, but the matter does not end there (and we are going in crescendo). Why are statism and socialism impossible? Why are these grandiose social engineering programs of these elites who live in a drunken stupor of power impossible? The fact is that the information the state needs to give its mandates a coordinating content is not today's information, but tomorrow's information. When they enact mandates and want to modify and organize what will happen tomorrow, they need information that does not yet exist. Dear students: tomorrow's information does not yet exist today because it has not yet been created by the eight billion creative human beings, among other things because if it had already been

created, it would not be tomorrow's information, but today's information. Therefore, the information handled by rulers, experts, officials, and bureaucrats has, at best, only archaeological or historical value. It is as if they were determined to drive us in a car without looking ahead, but only looking in the rearview mirror: of course, a serious accident and damage are guaranteed.

But there is a fourth argument, the definitive one, which explains why socialism is impossible. Dear students, and here Miley does have a point: socialism is coercion. This is the most important thing; he talks about socialism and collectivism. In fact, my best-known book in this field is entitled *Socialism, Economic Calculation, and the Entrepreneurial Function*, now in its seventh edition and published in eighteen languages: I have been tempted to change its title to "Statism, Economic Calculation, and Entrepreneurship" because today it would be much clearer. The fact is that statism is the desire to impose a social system from above by force. It is a great temptation because what we really want is to end all social problems here and now by using experts and the force of the state. This is the agenda. But for that, coercion is inevitable; and they hide it, and all collectivists systematically dress themselves in sheep's clothing as if their "laudable" ends did not always require the means of coercion and violence. But reality is stubborn: what characterizes socialism, collectivism, or statism is always vio-

lence, coercion. That is, a law, a decree, the official state gazette, fines, prison, and if you escape from prison and resist, a bullet if necessary. Socialism is coercion. If everything were voluntary, there would be no problem. But socialism is violence, coercion. The state is violence and coercion, and here lies the fourth and final argument, because it turns out that to the extent that the governing body violently impacts any social group of interacting human beings, in that group and to the extent that the government violently impacts it, the creation of information by ordinary human beings is blocked, which is precisely what the governing body needs to give coordinating content to its mandates. Hence the paradox of statism: the more it strives, the grander its plans are, and the more it promises citizens to solve them, the greater the conflicts and the greater the damage and failure. But the tragedy is that when failure becomes evident, interventio-

"Socialism is coercion.

If everything were voluntary, there would be no problem. But socialism is violence, coercion".

**"The grander the plans
of the state, the greater
the conflicts and the
greater the damage
and failure".**

nists always react by saying that the failure is due to "citizens not cooperating." Or because "we have not been coercive enough," which, according to them, clearly justifies their having to intervene much more, with further doses of intervention, in a totalitarian process in which the power of the state is extended and deepened throughout all social interstices.

* * *

And to attract the public and as a smokescreen to hide their essentially coercive nature, they invent the "welfare state." Who is going to be against the "welfare" provided by the state? Isn't the public in favor of the welfare state? And what better way than to decide it democratically. Who is in favor of two months' vacation instead of thirty days a year? Obviously, two months are much better than thirty days; let's vote by a show of

hands! The result is obvious. The minimum wage of €1,134 seems low to me; let's take a vote, shouldn't it be a minimum of €4,000 or €5,000 to start with, yes or no? Of course! Let's vote!

Another example: the minimum social income. How did we not think of this before? But even in the so-called "liberal" Community of Madrid, President Ayuso agrees to provide €500 per child to all mothers earning less than €30,000; but €500 per child per month seems too little, at least €1,000, Ayuso, don't be stingy! So look at the dynamic we're getting into: a democratic system becomes a corrupt system of buying votes with other people's money. Milei says it: everything is financed with "la gaita" (as they say in Argentina) from others who are supposedly the rich. But, dear students, there are very few of us rich people, and what they have is not enough to pay for even a small part of this "party." Those who pay for the party are always the middle class and the lower class. make no mistake! In fact, even someone earning a thousand euros a month pays everything they earn and produce until July. But this is hidden from all citizens. And, for example, we are fed the much-vaunted "public pension system." The pension system, what a deception! a pyramid scheme maintained at gunpoint to ensure the continued influx of new suckers (the youngest) who are expropriated a third of everything they earn to pay the pensions of current retirees. Nothing is

saved, and of course, with the aging of the population, the system, despite being coercive, becomes unsustainable.

Yours truly is producing a "docuseries," that is, four films, against the "welfare state." One on pensions is already out there and has been seen by more than half a million people so far. You can watch it for free. It's called Neither Fair Nor Social: The Pension Problem. Another is about education, another about healthcare, and now I am finishing the one on climate change, which is not to be missed. The one on pensions explains how Bismarck in 19th-century Germany was the creator of the continental social security system based on distribution, hiding a great deception. He promised that from then on, all workers would be covered by a pension when they retired at the age of 65 or 70. But life expectancy at the time was 50 years, meaning that almost no one lived to retirement age. In parliament, his main liberal rival, Eugen Richter, stood up and snapped at him: "Chancellor Bismarck, are you aware that if this project goes ahead, it will turn the entire German people into servants of the state for life, dependent on the state for life?" Chancellor Bismarck replied immediately: "That is precisely my goal, to have the entire German people dependent on the state." And he succeeded, and "the dust settled, the mud remained": one world war, another world war, and so on. But let's not think that this has only happened in Germany. It is happening here in Spain. For

example, General Franco came to power, took over the capitalization system and the savings of all workers, and in 1964 he created the much-vaunted pay-as-you-go pension system, which supposedly also brings society together (by force). (Don't say this out loud, because it's not politically correct to say that nothing that the socialists maintain in Spain, whether they are on the left or the right, comes from General Franco). And the only way out of this dead end is to return to the capitalization that Franco expropriated from us, and in that film and in my writings, I explain in detail how this could be put into practice and made feasible.

Healthcare. Two and a half million Spaniards have the privilege of choosing whether they want public or private healthcare (myself included): they are civil servants, and therefore a good and very representative sample of Spanish society. Well, every year, invariably, around 80% choose priva-

**"To attract citizens and
as a smokescreen to
hide its coercion, the
state reinvents itself as a
welfare state".**

"The pension system is a pyramid scheme maintained at gunpoint to guarantee the influx of new participants".

te healthcare. There must be a reason for that! For example, including Ms. Calvo, former vice president of the government, who, when she contracted Covid, was admitted to Ruber Internacional and not to the public health system, which, despite all the efforts and heroism of its doctors, nurses, and healthcare personnel, suffers from all the flaws of economic unpredictability typical of socialism that I just mentioned, and whose efficient operation is also an impossible mission. What I propose is that everyone who wants to should be given the option of going to the private system. Simply a voluntary option that does not harm anyone. So that those who opt for private healthcare can deduct what they pay for a private health insurance policy from their income tax. And so we will see what each person decides, but not through a vote that is always politically manipulated, but "with the feet" of the citizens, without harming or coercing anyone.

Education. Why do states fight over education? Why do the Catalans want to control their education, and Madrid too? Very simple: to mold children and brainwash citizens and make them submissive. Take note: as early as 1548, Étienne de la Boétie, in his *Discourse on Voluntary Servitude*, explained why we accept being like sheep and are willing to be slaves to the state. One of the reasons he gives is habit and because we are educated that way. We carry over the family model, where there is a father and mother who tell their children what to do when they are young, and we think that this family paternalism must also be extrapolated to the social level: someone has to be in charge! But there are other reasons. The one in charge is always surrounded by a "sacred" aura: he is either the pharaoh-god, the absolute king appointed by God, or any of the "contemporary gods" (popular sovereignty, democracy, etc.); and, therefore, we obviously have to obey. But there are other reasons that De la Boétie also mentions: there is always a group of intellectuals, acolytes, a "praetorian guard," who continually praise and flatter the one in charge because they live off him (in politics, in government, in the administration, in universities), a whole network that Milei called "the caste." And then comes the worst: the ruler is an expert at corrupting our souls, giving us "birdseed" and subsidies, and making us dependent on him for life. For example, if unemployment insurance is created (why shouldn't there

be unemployment insurance? Obviously, if I'm out on the street and have nothing, I need unemployment insurance). But do you know what unemployment insurance generates? Unemployment! First, the incentives to find work disappear (and right now, for example, the government is discussing, following EU guidelines, what to do to avoid these perverse incentives). And unemployment insurance generates unemployment in two ways: not only through the destruction of incentives to find work, but also because the cost of unemployment insurance, which is financed by taxes, in turn destroys sustainable jobs that are not visible. In these two ways, unemployment insurance generates unemployment, just as the coercive establishment of a minimum wage and rigid labor regulations also generate unemployment.

And "aid to the poor generates poverty," which was the quote that President Milei gave me at his inauguration, and for which I am very grateful to him. For example, in the United States there is a problem of poverty. But then came President Johnson's "The New Frontier," and the government was going to solve everything. How? With food stamps for single mothers in the United States. Do you know what happened? What do you think happened? The number of single mothers multiplied. Be careful with poverty aid, and above all, with international poverty aid. It corrupts and destroys Third World countries. Because you shouldn't give a poor person a free fish, you should teach

them how to fish and give them a fishing rod, and a fishing rod requires accumulated capital and savings.

All that remains is the issue of "climate change," on which I can only make a very brief comment at this point. A neoclassical economist, William Nordhouse, who won the Nobel Prize in economics, reasoned as follows: "Climate change is dangerous, yes. But be careful, let's not take measures whose marginal cost exceeds the expected marginal benefit." When the next support measure, subsidy for renewables, etc., has a cost greater than the possible benefit or reduction in damage within thirty to forty years, that's when we have to stop. And they give him the Nobel Prize for this "genius." I find the argument acceptable, even though it comes from a neoclassical economist. But there is a fundamental problem: he is not Austrian and he failed to finish the job. Because it is impossible for the state,

"The state's public health system suffers from the economic unpredictability typical of socialism".

"Beware of international aid to the poor, because it corrupts and destroys Third World countries".

politicians, experts, etc., to obtain information on the marginal costs and benefits of all these intervention measures, they are acting completely blindly. Just as happened to the Soviet state with its Gosplan; and, therefore, the government invariably ends up squandering society's scarce wealth and doing great harm, especially to the most vulnerable. Not to mention that climate change also brings many benefits (for example, CO2 is like fertilizer for plants: it can make the Earth, the planet, completely green, and thus all of Siberia could be made green and arable, producing wheat on a massive scale). And all this without mentioning that in the doomsday scenarios, the supposed damage is not usually assessed in economic terms, discounted by interest rate, nor, above all, does it take into account the immense capacity of the free market economy to adapt. Therefore, given that the state does not have the necessary information to calculate

the benefits and, above all, the losses generated by its mandates, everything that is being done lacks rationality. The fact is that, in this field at the state and coercive level, nothing should be done because, I repeat, if anything characterizes the market economy, it is its capacity for adaptation, and the free market economy led by creative human beings, entrepreneurs like you and me, has already demonstrated countless times throughout history that it is capable of adapting to the most dire circumstances.

I will give an example from New York, drawing on newspaper archives from the late 19th century. Big headlines: "The world is coming to an end. We have detected an unsolvable problem." Do you know what it was? Horse excrement in cities! People traveled by horse and cart, and the excrement accumulated more and more, seemingly without limit. So, the precursors of the Club of Rome at that time extrapolated that if the population continued to grow, it would create an unsolvable problem of excrement in cities. The only solution proposed by the alarmists of that time (and today's alarmists!): we must stop the development of the world, the creation of wealth, etc., because otherwise we will die among horse excrement. *Mutatis mutandis*, this is what is said today in relation to climate change. But there was no need to stop the world, and nothing happened because shortly afterwards, someone came up with the idea of an internal combustion engine, and all

the excrement problems were solved; and on the shoulders of the internal combustion engine, the greatest surge of prosperity in human history has taken place. And I am not on the payroll of any fossil fuel company.

But what is absurd, for example, is that research into fossil fuels and new internal combustion engines is banned, and the government, which is supposed to know more than anyone else, chooses and bets only on electric vehicles. Why? What if we come up with something else? "No, research into combustion engines is prohibited!" What if we come up with a combustion engine that can reduce CO2 by two-thirds? "No, no, no! Electric, electric, electric!" But what arrogance (The Fatal Conceit, the title of Hayek's latest book), to believe themselves gods in possession of the truth. They believe themselves to be gods with the right to direct our lives, today under the pretext of climate change and tomorrow under any other pretext.

* * *

But there is another very important point: Milei insists that what he calls collectivism or socialism, and what I call statism, is intrinsically immoral. In contrast, he argues that the market economy, the capitalist system, is the only system that is not only dynamically efficient but also, and above all, moral. Among other things, and I explain this in various works, because efficiency and ethics are two

sides of the same coin. Fairness, understood correctly as respect for private property, cannot be inefficient, and what is efficient cannot be unjust. The idea that efficiency and justice can be combined at random as desired is the result of the sick mathematical mind of the so-called "welfare economists," including Samuelson himself with his "social welfare function," and so on. Socialism is intrinsically unjust, and we all understand that now, because it is based on violence and coercion, and perhaps the most typical characteristic of human beings is our ability to create freely and to discover new things freely and continuously; and not to be put in a concentration camp, fined, have half our income taken away until July, be told what we have to do or what we cannot do, etc. Don't think I'm exaggerating. You'll see for yourselves as soon as you leave college and get a job: you'll spend most of your time defending yourselves against the nanny state, reading its official gazette, scru-

"The free market economy has already proven throughout history that it is capable of adapting even to the most dire circumstances".

"Socialism is inherently unjust because it is based on violence and coercion".

tinizing how it intervenes in your lives, how it will persecute you, how you can defend yourselves against bureaucrats and inspectors.

In such a hostile environment, a creative entrepreneur who is capable of bringing any innovation to fruition becomes a hero. Milei is absolutely right here, because we are practically not allowed to work freely or create freely. Socialism is intrinsically immoral, not only because it is a tragedy of history that has condemned hundreds of millions of people to death, but also because it is a particularly qualified tragedy given that many of them died thinking they were dying for a just cause. Socialism is not only an impossibility in scientific terms, but it is also the greatest immorality conceivable, since its essence is violence and coercion over the main attribute of human beings, which is their freedom.

In his speech, Milei also says that it is obvious that Malthus's prophets of doom have

failed, even though they are extremely tenacious. And so, in the Club of Rome, Armstrong said that the world was going to end because oil reserves would run out, etc. And there is also the famous bet between Julian Simon, doctor honoris causa from the University of Navarra, and Ehrlich, the prophet of doom and gloom and emergency in all areas, who wants to justify stopping the world and blocking the progress of humanity because we are going to starve to death. Simon said: "I bet you that in 20 years' time there will be much more abundance and that all resources will have fallen in price." And Simon won the bet! But even so, the Club of Rome remains stubborn. And alongside the Club of Rome, the Davos Forum is created, because the situation is "extremely dangerous," and a global trilateral is created, a kind of world government to direct our lives and save us from "catastrophe." And they all talk big (even Pope Francis) about calling for a "world government" to end all problems, in an idolization of human reason unlike anything ever seen before. Capitalism has been so successful in wiping out the poor that new victims and new banners must be found to unite us in pursuit of statism, especially after the fall of the Berlin Wall. And what new banners are they looking for? What new banners are they flying?

There are practically no proletarians left because, as we have said, they are emerging from poverty at a rate of seventy million fewer poor people per year (which has meant 1.4 billion fewer poor people in twenty years). New vic-

tims, real or imaginary, must be sought out to victimize in order to rally their hatred against the established market order and thus justify the intervention of social engineers and statisticians. Milei refers, by way of example, specifically to the artificial conflict created between men and women. No such conflict exists, especially in a market economy that is always based on equality for all before the law. The same could be said about the "conflict" with LGBTI minorities. Or another new banner is created, "egalitarianism"! "There is one tragic thing, which is that the world is unequal. This is tragic! How can it be that Professor Huerta de Soto has so much money, and I am a poor student who cannot make ends meet? That is unfair!" How can this be solved?

Well, it's very simple: "we cut off Huerta de Soto's head and divide his wealth among ourselves." Because, as Milei explains very well, in the static conception of the market by neoclassical economists, since everything is given, it is assumed that "the pie" is given (that's the term Milei uses). And if the pie is given, it is redistributed, and the more it is redistributed, the more we all gain. Yes or no? No! Because the process is dynamic and this argument is a deception. For example, the richest Spaniard in the world, Amancio Ortega, owner of Zara, has a fortune of around 80 billion euros, according to the latest data. Well, if, as a result of "egalitarianism," his entire fortune were expropriated and distributed among the eight billion human beings on Earth, each person would receive

about ten euros. With that, they could buy a sandwich or a hamburger at McDonald's, but then what? Back to square one, with nothing to show for it. But along the way, we would have destroyed all the Zara factories, the thousands of employees it employs, all the satisfied consumers—all of that would be gone. Because, as I said before, you shouldn't give the poor a fish, which will rot tomorrow, you should give them a fishing rod. And if a country wants to get out of poverty, what it has to do is continually court entrepreneurs, capitalists, and savers, so that they accumulate more and more well-invested capital. Economic theory shows that workers' wages depend on what they produce, on their productivity, and they are all the more productive the more capital equipment they have at their disposal. The American worker, the American farmer, for example, earns a hundred times more per month than the Indian farmer, not because he works harder or is

"Milei is absolutely right: we are practically not allowed to work freely, nor to create freely".

"A free market economy is always based on equality for all before the law".

smarter, simply because the Indian farmer still plows the field with a Roman plow and two oxen, while the American farmer uses a state-of-the-art John Deere tractor, which has great power, a computer, GPS, and so on. In one morning, he plows a hundred times more land than the Indian farmer does; he is therefore a hundred times more productive and that is why he earns a hundred times more. But acquiring that tractor was not the result of cutting off the heads of the rich, but rather of encouraging savings and capital accumulation and of caring for and courting entrepreneurs and those who accumulate capital (capitalists).

Therefore, there is nothing that hurts the most vulnerable more than taxes on corporate profits and, above all, taxes on capital. But it does not only hurt those who have had their "heads cut off," although that does not matter if it calms the most perverse vein of envy; it hurts precisely the most vulne-

rable. So we already know what Venezuela has to do, what Argentina has to do, or any other country that wants to escape poverty: it must attract capital, protect capitalists and savers like "water in May," not distort the market, not tax them heavily; that is, just the opposite of what demagogues continually sell us by deceiving and manipulating the public.

* * *

And I'll finish. My latest book, just published by Routledge, is titled *Statism and the Economy: The Deadliest Virus*. What is the deadliest virus infecting the human soul? Statism. It is surreptitiously introduced into our souls, and almost without realizing it, we accept the entire statist agenda and have fallen into its trap! Even I sometimes fall prey to it, and the only way to save ourselves from this lethal infection is to get vaccinated (in this case, vaccination is indeed necessary). What is the vaccine? The vaccine is the study of correct economic science, which is that of the Austrian School of Economics. I am not imposing any moral principles on you. I told you on the first day of class that I was going to explain my value judgments to you. But we are in a scientific class, and of course I leave you free to have other opinions. If anyone is like Marx (re-read his millenarian poems) and wants to destroy the world, the information and knowledge you gain in this course will also be invaluable to you, becau-

se it will tell you what you have to do: put obstacles in the way of social cooperation, expropriate and behead millionaires and capitalists, destroy the currency, etc. As Lenin said: "the best way to destroy the West is to destroy its currency." We have many examples: look at the hyperinflation in Argentina; but don't think that the dollar and the euro are anything to write home about either. In three years, the much-praised European Central Bank has depreciated the value of the euro by 20% (admittedly, in Argentina, that is how much the peso depreciates every month). These are all relative issues, because they are all sick with statism. If you follow the debates in parliament, the discussion is not about how to dismantle the state, the discussion is: "I want power for myself, to impose my agenda, that of Vox." The other says: "I want power for myself, to impose my agenda, the progressive agenda, we are the progressives." Another side: "I want power for myself, to impose my agenda, the eclectic, lukewarm social democratic agenda of the PP." Everyone wants power to push their particular agenda, but there is no one to say, "Power is a virus" and we must put an end to it. But there has been a disciple of yours truly, and this has been one of the greatest joys in my life that, against my recommendation (you will see in my articles where I always advise my students not to ruin their lives by going into politics), he has gone into politics and, by a twist of fate (the hand of God, he would say, and I say so too)

has ended up as president of the Argentine Republic. He has sacrificed his life! You don't know what it means to devote yourself to politics, especially in a country like Argentina (not that it's particularly bad, it's like Spain): it means sacrificing everything and destroying your life.

Have no doubt, Milei is going to sacrifice himself for this. I don't know what will happen with Milei and his program in Argentina, I only know two things:

First, that we already owe him something of immense value to humanity, which is to have brought to the agenda and popularized the idea of freedom; terms such as "anarcho-capitalism" and having awakened citizens from their lethargy. How many are now saying to themselves: "I didn't know, and now that I hear it, I realize that's what I am, an anarcho-capitalist"! It doesn't matter what happens in Argentina, although I hope he is very successful there, but what Milei has already achieved is of immense value because I have been repeating the same things for forty years and now they finally have a universal echo. Good for Milei!

And second, if he does reasonably well, just wait and see what happens. Then it would be time to award the Nobel Prize in Economics to Israel Kirzner as the leading living representative of the Austrian School of Economics and to President Javier Milei as someone capable of putting that ideology into practice.

Thank you very much.

Join the Foundation

Share our efforts through one of these categories of economic commitment and thus contribute to restore Liberty



Únete y colabora con Fundalib

 Impulsor de la Libertad A jóvenes profesionales que desean contribuir a las construcciones de sociedades	 Protector de la Libertad Dirigido a empresarios y profesionales	 Mecenas de la Libertad Dirigido a profesionales que quieren dar un paso más. A profesionales comprometidos y
--	---	--

**Visit www.fundalib.org
and join us in the pride
of making history**

Discover all the exclusive benefits we have designed for each of the commitments levels by clickin on the "Únete" button at theFoundation's site, and choose your monthly donation through a secure channel.