

PAPERS FOR THE ADVANCEMENT OF

# LIBERTY

Paper No. 28 | September 2023  
(English version)

IN OUR TIME



## THE LIBERTARIAN ECONOMIST AND POLITICS

JESÚS HUERTA DE SOTO



PAPERS FOR THE  
ADVANCEMENT OF  
LIBERTY IN OUR TIME

English edition

Paper No. 28, Sep 2023

Published by



Fundación para  
el Avance de la  
Libertad

[www.fundalib.org](http://www.fundalib.org)

Editor: Juan Pina  
Deputy Editor: Federico López

HQ: Gran Vía, 6, fourth floor  
E-28013 Madrid (Spain)  
[www.fundalib.org](http://www.fundalib.org) | [avance@fundalib.org](mailto: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.

Illustrations by Álvaro Peral.

This magazine is financially supported by the Atlas Network, a global network of pro-freedom think tanks. For more information, visit [www.atlasnetwork.org](http://www.atlasnetwork.org).



## ABOUT THE AUTHOR



Jesús Huerta de Soto is a Professor of Political Economy at Rey Juan Carlos University in Madrid. He holds a PhD in Law and a PhD in Economics from Complutense University of Madrid and a Master of Business Administration from Stanford University. Author of twelve books published in more than sixty editions worldwide and translated into nearly twenty languages, Professor Huerta de Soto

is one of the leading figures in the Austrian School of Economics today. His extensive academic career has earned him distinctions such as honorary doctorates from Francisco Marroquín University (Guatemala), Alexandru Ioan Cuza University (Iasi, Romania), Moscow Financial University (Russia), ESEADE (Argentina), and National University of San Marcos (Lima, Peru). He edits the journal *Procesos de Mercado* and, through his presence in the media and at events and projects of an informative nature, is today one of the most recognized voices in the field and ideas of Liberty.

### 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](mailto: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>

# THE LIBERTARIAN ECONOMIST AND POLITICS

JESÚS HUERTA DE SOTO

### CONTENTS

I. Introduction.....	4
II. Reasons often given for considering liberal reforms politically impossible.....	6
III. Historical examples that refute pessimism.....	8
IV. The three levels of action required by reforms: theoretical, historical, and ethical.....	11
V. Actions in the theoretical field.....	12
VI. Action in the ethical field.....	16
VII. Actions at the historical level.....	20
VIII. The role of politicians in liberal reform.....	24
IX. How much should politicians lie?.....	28
X. Conclusion.....	32

\* Originally published in Manuel Fraga: Homenaje Académico, *Fundación Cánovas del Castillo, Madrid 1997, volume II, pp. 763-788. Part of this work was published in Italian, under the title "Dalla Teoria alla Prassi," in the journal Ideazione, Rome, May 1999, pp. 159-170.*

## I. Introduction

The theory of freedom has advanced significantly since the second half of the 20th century.

Today, it can be said without a doubt that, at least in the field of economic theory, the triumph of liberal prescriptions has been absolute. Not only has it become clear that real socialism is, as Mises, Hayek, and the rest of the members of the Austrian School of Economics had demonstrated, theoretically impossible<sup>1</sup>, but also that the most reliable analyses are equally showing that the interventionist economic policy followed in "mixed" economies is also doomed to failure. On the other hand, works are appearing everywhere that continually highlight the crisis of the so-called

"Welfare State." We can therefore conclude that, today, already in the third decade of the 21st century, the theoretical debate has been won by the defenders of the market economy.

However, when it comes to the practical application of liberal prescriptions, there is still a long way to go. Even though the historic fall of real socialism in Eastern Europe made clear the impossibility of communism and certain liberalizing reforms are being carried out in the rest of the interventionist countries (misnamed "market economies"), there are still many difficulties to overcome. Indeed, it seems that although the ultimate goal to be pursued is now clear from a theoretical point of view, it is nevertheless very difficult to initiate and implement the necessary reforms. Specifically, although libertarian reforms have been shown to be desirable from a theoretical point of view and the only ones in accordance with morality,

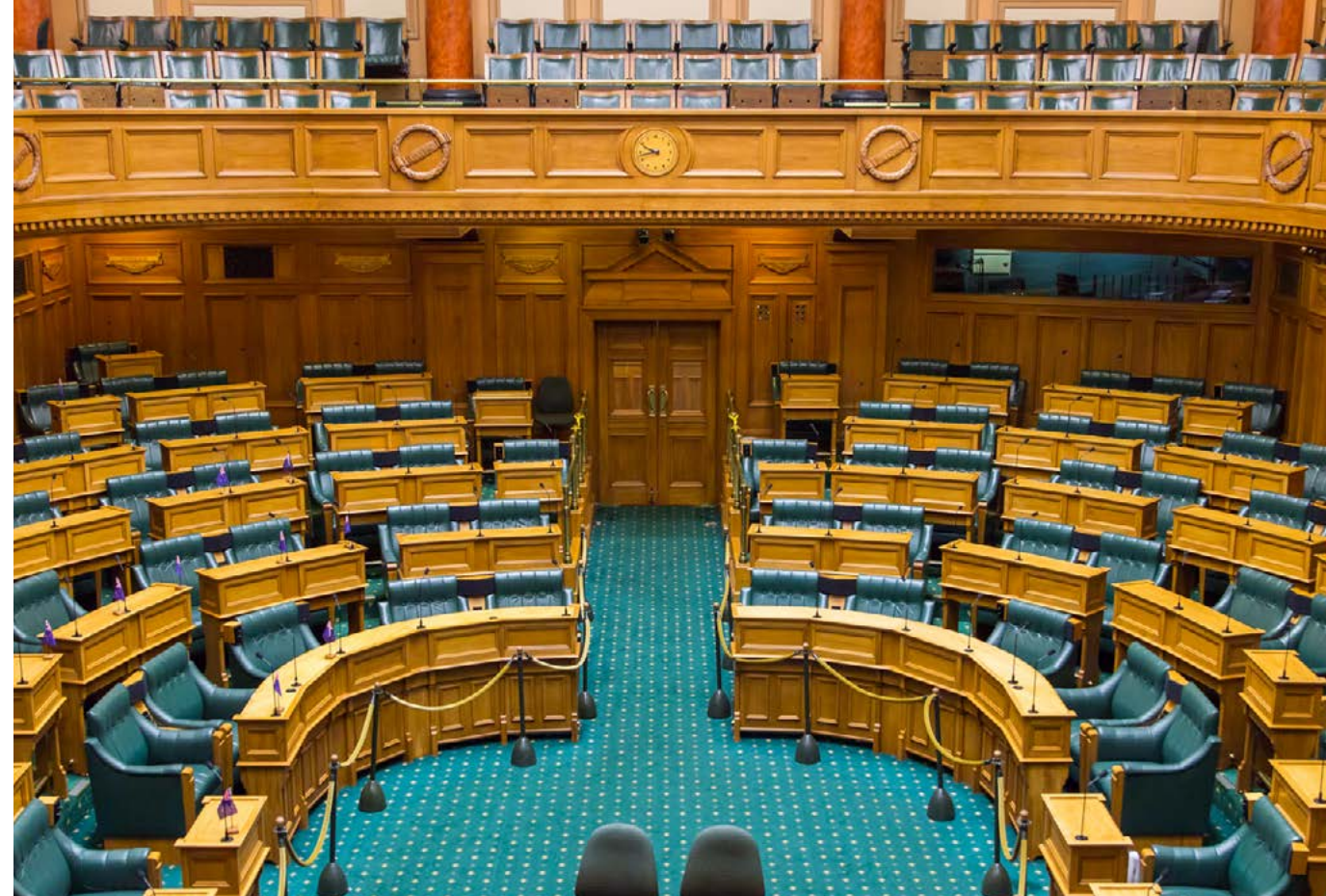
it is argued that in many cases "their political impossibility is evident."

Well, in this article we propose to address the objection regarding the supposed political impossibility of advancing liberal ideas. To do so, we must analyze the most appropriate strategy and tactics for promoting and completing liberal reforms, as well as the relationship that should exist between liberal economic theorists and those political professionals who seek to move forward in the right direction on a daily basis.

Next, we will examine, first, the reasons that are often cited to justify the supposed political impossibility of advancing libertarian ideas, reviewing various recent historical examples that, to a greater or lesser extent, clearly refute pessimism in this field. Then we will present the strategy we consider most appropriate for overcoming the barrier of the politically impossible from three points of view: theoretical, ethical, and historical.

After proposing a list of activities that can and should be promoted to facilitate a shift in public opinion in the right direction, we will highlight the important role of the political class in general, and of liberal politicians in particular, in convincing and inspiring citizens to pursue a truly libertarian reform project. A classification of professional politicians into four types based on their commitment to libertarian theory and practice, an analysis of the most important circumstances that influence their behavior, and a list of practical recommendations that we consider important for any liberal who decides to go into politics will conclude this paper.

1 Jesús Huerta de Soto, *Socialism, Economic Calculation, and the Entrepreneurship*, Cheltenham, UK: Edward Elgar, 2010.



New Zealand Parliament (*Te Whare Paremata*), Wellington.



## II. Reasons often given for considering liberal reforms politically impossible

There are various reasons often given to argue that many libertarian reforms are not politically possible and thus justify maintaining the *status quo*. For example, it is argued that the theoretical reasoning behind liberal policies is generally very abstract and difficult to explain to the public. It is also argued that people are very resistant to change, especially when it is based on abstract theories and the medium- and long-term achievement of results that, although understood to be very favorable, it is considered, however, that they require, from the outset, "significant sacrifices." All this means that politicians' presentation and defense of reforms that are heading in the right direction often lack boldness and conviction: it is thought that liberal arguments leave too many openings for easy criticism, especially in the face of a socialist opposition that has generally shown itself to be unscrupulous and does not hesitate to resort to the most demagogic arguments.

These and other arguments, which are most commonly used by politicians considering libertarian reforms, also seem to have found theoretical support in the contributions of the so-called "Public Choice School." Indeed, various analyses by the *Public Choice School*, founded by Nobel Prize-winning economist James M. Buchanan, attempt to explain theoretically the difficulties of undertaking and completing appropriate reforms. Among other aspects, they discuss the so-called "ratchet effect" and "rationality of ignorance," according to which, given

the low probability that individual voters can influence the final outcome of elections with their single vote, the current democratic system encourages citizens to consciously or unconsciously spare themselves the great effort involved in studying in sufficient depth the many complex issues that are the subject of political discussion and debate<sup>2</sup>.

In the face of this widespread inhibition among citizens, "pressure groups" have emerged which, identifying a strong interest in a particular area, concrete, they successfully mobilize to pressure and influence public authorities, obtaining privileges at the expense of a "silent majority" that no one cares to defend.

Similarly, there has been speculation about the effect of "governmental myopia," which tends to arise from the primary desire of those in power to attain and maintain power at all costs, explaining why they make decisions with a very short-term perspective (that of the next elections), making it almost inevitable that on many occasions they end up sacrificing the long-term well-being of the community in exchange for short-term "political gains."

Finally, it has been shown that bureaucratic organizations tend to constantly overexpand and justify the need for their existence and growth, as they do not depend on a profit and loss account nor are they forced to revalidate their services in the market every day like any private company, since their existence is guaranteed by the General State Budget, if they gain sufficient political

<sup>2</sup> In other words, the democratic system generates, in neoclassical terminology, a gigantic and insoluble problem of "public good" or free rider (free user), since each voter fully internalizes the high cost of voting in an informed and responsible manner, while the benefits of their action are diluted almost entirely among the rest of their fellow citizens, making it almost impossible for each individual voter to reap the benefits of their action as an informed and responsible voter.

support (usually encouraged by an interest group)<sup>3</sup>.

Leaving aside its scientific validity, which we will not discuss here, it is clear that there is a serious risk that the theoretical analysis of the Public Choice School tends to encourage nihilism among those who seek to devote their efforts to promoting practical reforms in the right direction in the short term. Indeed, Public Choice Theory seems to explain and confirm the existence of a "vicious circle" in the political arena that is very difficult to break: it is clear that politicians largely limit themselves to reaping the benefits of a pre-existing state of public opinion, which, on the other hand, is considered

very difficult to mobilize in the short term in the right direction, as a result of the combined effects of the "rationality of ignorance" and the activity of privileged interest groups (to which should be added the "government myopia effect" and the tendency of bureaucratic bodies to expand almost without limit). If we add to this vicious circle, which the theory seems to explain, the many frustrating experiences that many politicians have encountered in trying to push through libertarian reforms, it is understandable that it is very easy to fall into skepticism or discouragement if one comes to believe that the wall of "political unfeasibility" is very difficult, if not impossible, to overcome.

<sup>3</sup> Elsewhere, I present in more detail a summary of the main arguments developed by the Public Choice School in this field; see Jesús Huerta de Soto, "Property Rights and Private Management of Natural Resources," in *Estudios de economía política*, Unión Editorial, Madrid 1994, chap. XXI, pp. 229-249.



Parliament of the United Kingdom of Great Britain and Northern Ireland (*Houses of Parliament*), London.

### III. Historical examples that refute pessimism

However, there are several historical examples that show that it is possible to push through radical reforms, even in very adverse circumstances.

Thus, referring exclusively to the best-known cases after World War II, we must mention, first of all, the liberalizing reform implemented by Ludwig Erhard in West Germany after World War II<sup>4</sup>, in direct defiance of the interventionist "recommendations" of economic advisers (Galbraith, etc.) sent to him by the Western powers that had won the war. Erhard's liberalizing decrees were enacted suddenly and by surprise in 1948 and led to the spectacular *Wirtschaftswunder* or "German economic miracle"<sup>5</sup>.

Thirty years later, the so-called "conservative revolution" promoted in the United States by Ronald Reagan during his two presidential terms (1980-1988) also had a major impact. During this period, Reagan carried out a major tax reform that reduced the marginal income tax rate to 28 percent and largely dismantled the administrative regulation of the economy and the oppressive burden that the federal government had come to impose on businesses.

The United States experienced a significant economic boom as a result, which led to the creation of more than twelve million jobs in this country<sup>6</sup>.

Closer to home, we should mention the liberal revolution led by Margaret Thatcher in the United Kingdom, who, over a period of almost twelve years, promoted the most ambitious program of privatization of public companies ever seen in the world. Thatcher also sold millions of council houses to their tenants, thereby turning large sections of the population into small property owners. She also carried out a profound tax reform that reduced the marginal income tax rate to 40 percent. She put an end to union abuses and, in general, deregulated the economy and initiated a program of moral regeneration that strongly boosted her country's economy, which had been severely affected by decades of interventionist policies implemented after World War II not only by Labour governments, but also, and especially, by various Conservative governments that fell into the erroneous strategy of "pragmatism"<sup>7</sup>.

Finally, given its great historical significance, we cannot fail to mention the fall of real socialism in the countries of Eastern Europe, which,

4 We could list many other previous liberalizing reforms and even go back to the attempt made by Turgot in the 18th century. However, for our purposes, we believe that the examples presented in the text are sufficient. A good retrospective analysis of the various attempts at liberal reform throughout history, as well as the difficulties encountered by their respective protagonists, has been carried out by Lucas Beltrán in his work entitled "Liberalization is not easy," *Ensayos de economía política*, Unión Editorial, Madrid 1996, chap. IV, pp. 74-84.

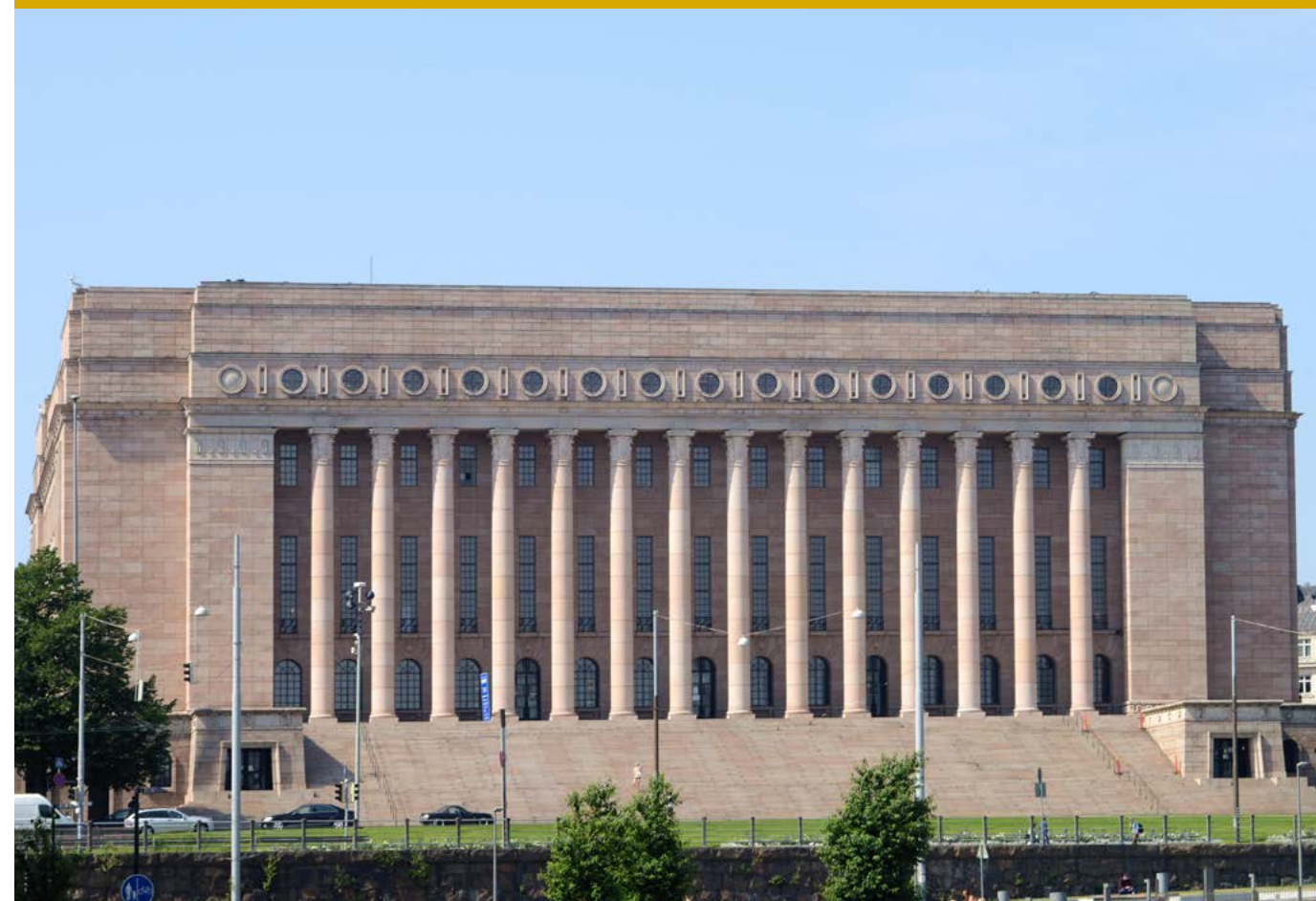
5 On Erhard's reforms, see Ludwig Erhard, *Welfare for All*, Unión Editorial, Madrid 1989; as well as the compilation of his works included in Ludwig Erhard, *Deutsche Wirtschaftspolitik: Der Weg der Sozialen Marktwirtschaft*, published by Econ Verlag, Düsseldorf and Vienna 1992; and also the work of Samuel Brittan and Peter Lilley, "Income Policy in Nazi Germany and Erhard's Miracle," in *Lecturas de economía política*, Jesús Huerta de Soto (ed.), Unión Editorial, Madrid 1987, vol. II, pp. 237-247.

6 For more information on Reagan's reforms and their philosophical basis, see Ronald Reagan's own speech, "Discurso de Ronald Reagan en la Fundación March" (Ronald Reagan's speech at the March Foundation), included in *Lecturas de economía política* (Readings in Political Economy), op. cit., vol. II, pp. 229-235.

7 On the meaning and impact of the Thatcher revolution, see, above all, Margaret Thatcher herself, *The Downing Street*



Parliament of the Republic of Finland (*Eduskuntatalo*), Helsinki.

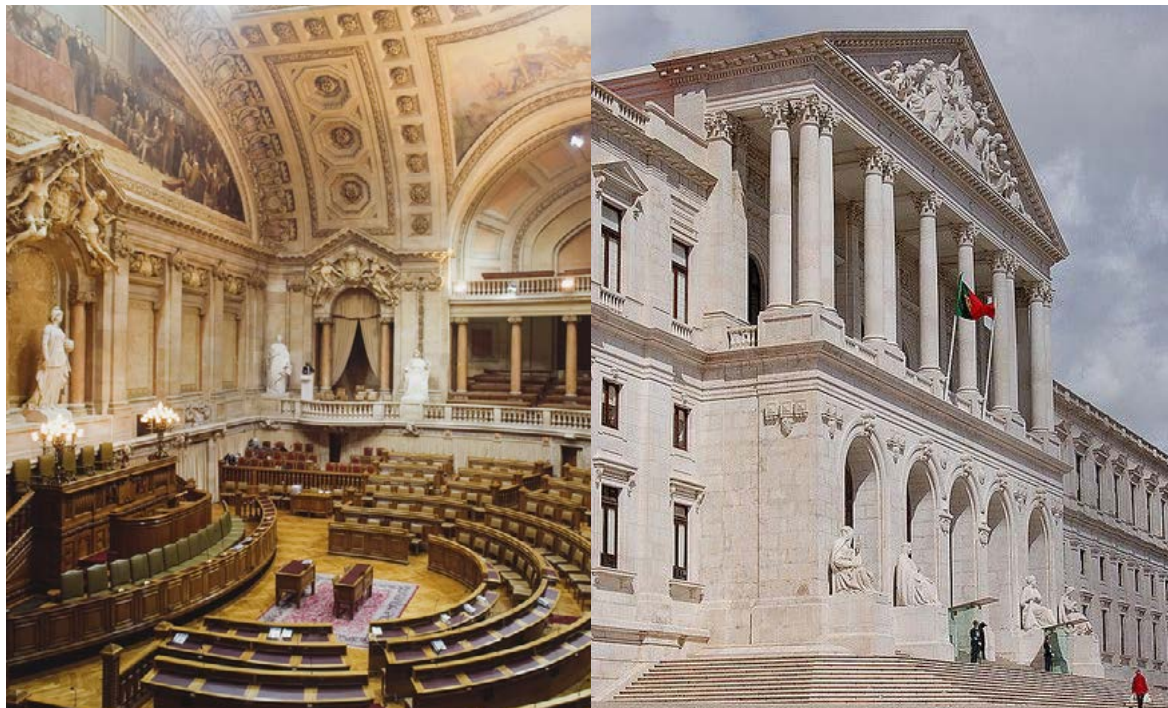


as a result of a series of generally bloodless revolutions, took place from 1989 onwards to the amazement of the Western world and the surprise of its leading intellectuals and political leaders. And although their initial impact has been less significant, the liberal reforms that have been carried out in Latin America, especially in countries such as Chile, Argentina, Mexico, Bolivia, Peru, and Ecuador, led by "populist" politicians who have nevertheless been able to push measures in the right direction, will have a similar importance in the long run<sup>8</sup>.

It is clear, therefore, that contrary to the aforementioned nihilistic temptation, these and other historical examples illustrate how it is perfectly possible to overcome, even in very adverse historical circumstances, the barrier of the "politically impossible" that apparently always arises when one wants to undertake and successfully carry out libertarian reforms. Next, we will examine what strategies and measures need to be adopted and implemented to make politically feasible what today seems very difficult and even politically impossible to achieve.

Years, Editorial El País-Aguilar, Madrid 1993, as well as her most recent book, *The Road to Power*, Editorial El País-Aguilar, Madrid 1995.

<sup>8</sup> Such was the case, for example, with Carlos Menem in Argentina. Chile's liberalization measures were highly successful and have served as a model for other Latin American countries, even though they were initiated under General Pinochet's dictatorial regime. Chileans, however, have been wise enough to maintain the liberalizing reforms initially promoted by Pinochet once democracy was restored in their country.



Assembly of the Portuguese Republic (*Palácio de São Bento*), Lisbon.

#### IV. The three levels of action required by reforms: theoretical, historical, and ethical

Elsewhere, I have developed the thesis that there are three distinct levels of approach to political, economic, and social reality: a theoretical level, a historical level, and an ethical level<sup>9</sup>. According to this conception, the analysis and interpretation of social phenomena can and should be based on these three points of view.

Thus, following this scheme, it is easy to understand how all erroneous policies always arise as a result of a chain of factors corresponding to each of the three levels mentioned above. In fact, behind every policy that is harmful to society there are usually, at a strictly theoretical level, serious scientific errors and fallacies. Indeed, false theories are continually used to justify the most harmful interventionist policies. Sometimes these theories arise casually and independently, and policies are then adopted as a consequence of the theoretical and methodological errors committed. On other occasions, however, erroneous theories are constructed ad hoc to justify certain policies that had been decided upon in advance<sup>10</sup>.

Historically speaking, that is, in terms of everyday reality, one of the most important factors in promoting misguided policies is the intervention of lobbyists or privileged interest groups who benefit from them.

Therefore, in addition to errors in theoretical reasoning, there are always certain individuals and social groups that will be particularly privi-

leged and favored as a result of harmful political measures.

Finally, at the ethical level, it must be noted that harmful policies resulting from theoretical errors and the malicious support of certain privileged pressure groups become practically inevitable when moral principles, that is, the basic rules of behavior that must always structure society, enter into crisis.

Put another way, in any society where theoretical errors arise and privileged interest groups, their leaders' dogmatic maintenance of a series of prescribed moral behaviors is their last line of defense. If this last moral barrier or brake disappears, society will be lost and will fall victim to the most demagogic, interventionist, and harmful policies, which will always find erroneous theoretical justification and the support of some privileged interest group.

The above considerations will allow us to undertake, in parallel and by contrast, an analysis of the precise *strategy* needed to make politically feasible in the future what today seems impossible to achieve; that is, to eliminate interventionist policies, gradually replacing them with others more in line with libertarian ideology. We will therefore propose below a series of concrete measures and actions that must be undertaken at each of the three levels mentioned (theoretical, historical, and ethical) in order to break down the barrier that today seems insurmountable in relation to liberal reforms.

<sup>9</sup> Jesús Huerta de Soto, "History, Economic Science, and Social Ethics," in *Estudios en economía política*, cit., chap. VII, p. 105 ff.

<sup>10</sup> Such is the case, for example, with the Marxist theory of exploitation, developed by Karl Marx to justify his previous revolutionary position; and more recently, Keynes' *General Theory*, which owed its great popularity precisely to the fact that it seemed to give theoretical support and scientific respectability to the fiscal, monetary, and credit interventionism that governments had always been undertaking, contrary to the prescriptions of correct economic theory.

## V. Actions in the theoretical field

In the struggle for freedom, the role of the pure theorist is essential. Their role basically consists of the radical and uncompromising search for scientific truth. When it comes to

enabling the breaking of the vicious circle of the politically impossible, the role of the pure theorist is, in the long term, the most important. There is no doubt that ideas move the world and that, in one way or another, their influence always ends up filtering through and impacting society. Furthermore, it is precisely in the field of libertarian theory where the most progress has been made. Today we can say with certainty, using a soccer analogy, that in this field the victory over the theories that until now justified socialism or interventionism has been a "landslide." Suffice it to mention, for example, how the Austrian School of Economics' (Mises and Hayek) analysis of the impossibility of socialism, after several decades of controversy with socialist theorists, has been fully confirmed, not only by the fall of real socialism in Eastern Europe, but also by the seemingly insoluble crisis that the interventionist or "welfare" state has entered into throughout the Western world<sup>11</sup>.

At the theoretical level, perhaps the most important principle of action is to continue the search for scientific truth, without making any concessions in order to gain some advantage in return or short-term political influence. As Hayek

has stated, "the work of the politician and that of the true scholar of society are not compatible. Indeed, I believe that to be successful as a politician, to become a political leader, it is almost essential not to have original ideas on social issues, but only to express what the majority feels... I think that the economist should refrain from joining a party, or even from devoting himself predominantly to a good cause. Not only does this cloud his understanding, but the influence he thus gains is almost certainly bought at the expense of intellectual independence. An excessive anxiety to get something done, or to maintain one's influence over a particular group, will almost certainly be an obstacle to expressing many unpopular things that should be said, and leads to a compromise with the 'dominant positions' that must be accepted, and even to the acceptance of positions that would not stand up to impartial examination."<sup>12</sup>

In short, Hayek warns us against the mistake often made by liberals, most notably members of the so-called Chicago School, who present what are often mere "compromise solutions" as scientific conclusions in their studies. This has been the case, for example, with many of the prescriptions of this school, such as the rule of monetary growth, flexible exchange rates, the so-called "negative income tax," school vouchers, and other measures have been widely debated at both the scientific and popular levels. The presentation and defense of these

11 It is exciting to read how even the most prominent socialist theorists of the past, such as Robert L. Heilbroner, recognized the failure of socialism and the triumph of the theories of the Austrian School, concluding that "Mises was right ... socialism has been the great tragedy of this century." Robert L. Heilbroner, "Analysis and Vision in the History of Modern Economic Thought," *Journal of Economic Literature*, vol. 28, September 1990, pp. 1097 and 1010-1011; and also his articles published in *The New Yorker*: "The Triumph of Capitalism," January 23, 1989, and "Reflections after Communism," September 10, 1990, pp. 91-100. A detailed analysis of the controversy surrounding the theoretical impossibility of socialism can be found in my aforementioned book *Socialism, Economic Calculation and Entrepreneurship*. In this book, I also put forward the thesis that the fall of the Berlin Wall and of real socialism will have a strong impact on the way economics is done and that it is characteristic of the neoclassical paradigm that has dominated until today, whose models and theoretical developments have often been used to justify interventionist economic policies and argue that socialism as a system could work; See also J.E. Stiglitz, *Whither Socialism?*, The MIT Press, Cambridge, Massachusetts 1994, pp. xi-xii.

12 F.A. Hayek, *The Trend of Economic Thinking: Essays on Political Economists and Economic History*, vol. III of The Collected Works of F.A. Hayek, Routledge, 1991.



Parliament of the Principality of Andorra (Casa de la Vall), Andorra la Vella.



positions, without explaining what the ultimate theoretical objectives were, or clarifying that they were largely intended to achieve only a politically acceptable compromise, has been detrimental to the theoretical and liberal prestige of the Chicago School, which has thus gradually lost its leading role in the defense of libertarian principles in favor of the Austrian School, which is much purer in its theory of freedom and much less committed to the search for short-term political solutions.

In order to avoid this and other risks, the most appropriate strategy in theory is the one that, following William H. Hutt, we will call the dual strategy, which basically consists of the following<sup>13</sup>.

On the one hand, the study of the essential principles of libertarian theory and its consequences must continue, defining without compromise the ultimate long-term objectives to be achieved and their essential theoretical implications.

On the other hand, and in the shorter term, it is possible and a policy of gradual progress toward these objectives must be designed, provided that it is always *consistent* with them. Therefore, "compromise solutions" that run counter to the pre-established objectives or that conceal or confuse the public to a greater or lesser extent about what the final objectives are and their implications (an error, the latter, which, as we have said, the Chicago School has often fallen into) to be avoided. Only this strategy can make it possible to achieve politically in the medium and long term what may seem very difficult to achieve today.

The essential points of the *dual strategy* that every theorist of freedom must develop are therefore as follows:

a) To study with determination and perseverance

the theoretical principles and the ultimate consequences derived from them, without making any concessions to short-term political demands.

- b) While maintaining the above activity as an unwavering priority, carry out work to educate and inform citizens about the essential theoretical principles and their implications.
- c) Without losing sight of the ultimate objectives and their implications, and without abandoning the work of education and dissemination, we must theoretically design *alternative transition processes* that, without in any way violating theoretical principles, are always directed in the right direction<sup>14</sup>.
- d) If it is unavoidable to accept a short-term political compromise, it must always pass the test of not violating essential principles (i.e., the compromise must never involve a departure from those principles). In addition, it must be explained to the public that this is a short-term concession or compromise due to political circumstances, and not because of a theoretical prescription that is the logical and inevitable consequence of liberal ideology

Only an activity at the theoretical level that strictly follows these prescriptions can avoid the most dangerous risk of any libertarian strategy, which is none other than falling into *day-to-day political pragmatism*, amid the pressures and difficulties that overwhelm those who must make short-term political decisions, forgetting the ultimate objectives that ought to be achieved, on the grounds of their supposed political impossibility.

*Pragmatism* is the most dangerous vice a libertarian can fall into, and in the past it has had devastating

13 William H. Hutt, *Politically Impossible ...?*, The Institute of Economic Affairs, London, 1971.

14 In short, it is a matter of following the recommendation of Nobel Prize-winning economist James M. Buchanan regarding the necessary theoretical search for alternative ways to dismantle the "welfare state": "political economists fulfill their proper role when they can show politicians that there do exist ways to close down the excesses of the welfare state without involving default on the contracts that this state has obliged itself to. This approach to reform not only meets ordinary precepts of fairness; it also facilitates the political leaders' task of organizing the consensus necessary to allow any institutional changes to be made at all." James B. Buchanan, "Dismantling the Welfare State," chap. XVI of *Liberty, Market and State*, Harvester Press, Great Britain, 1986, p. 184.

effects on this ideology, systematically motivating the consensus and adoption of political decisions that in many cases were essentially inconsistent (i.e., that went in the opposite direction) with what should have been the ultimate goals to be pursued from a liberal point of view in order to achieve or maintain power.

Furthermore, the exclusive discussion of what was politically feasible in the very short term, and the fact that scientists themselves relegated the ultimate objectives to the background or even forgot them altogether, has often prevented a careful study of the theoretical principles and the necessary process of disseminating them. All this has led in the past to a continuous loss of content in liberal ideology, which in many cases has been completely blurred and diluted in other programs, interests, and ideologies.

Fortunately, circumstances have changed in recent times and libertarian theorists have returned to the offensive, studying the purest theoret-

ical principles and disseminating their content and implications at a popular level, which explains the widespread resurgence and renewed momentum that the market economy and liberalism in general are experiencing throughout the world. Furthermore, the fact that this strategy has been basically followed by members of the so-called Austrian School of Economics explains why, despite its elitist and relatively minoritarian nature, it has taken over the leadership of theoretical liberalism in the world, snatching the initiative of the liberal theoretical impulse from the members of the discredited Chicago School. Today, it is the theorists of the Austrian School who set and drive the agenda of the liberal movement, even in the short term, precisely because of their greater certainty and conviction about the theoretical principles they defend and their implications, which their often uncomfortable "traveling companions" from the Chicago School tend to lack<sup>15</sup>.

15 I have attempted to rigorously apply the principles of this *dual strategy* that I recommend, in the specific field of analyzing the crisis and reform of social security, in my work "The Crisis and Reform of Social Security: An Economic Analysis from the Austrian Perspective," *Journal des Économistes et des Études Humaines*, vol. V., no. 1, Paris and Aix-en-Provence, March 1994, pp. 127-155. A Spanish version of this work is included under the title "Teoría de la crisis y reforma de la Seguridad Social" (Theory of Crisis and Social Security Reform) in



Romanian Parliament (*Palatul Parlamentului*), Bucharest.

## VI. Action in the ethical field

The field of ethics has, until now, been largely overlooked in strategies to defend and promote liberalism in general and the market economy in particular.

The cause of this regrettable oversight can be found in the dominance of economics by the narrow "scientific" conception that has sought to develop our discipline by following the methodology and scientific approach characteristic of physics and other natural sciences.

Thus, the neoclassical models that have dominated until now are based on a reductionist concept of human rationality, which presupposes a closed environment of ends and means, that is, of full information (whether in certain or probabilistic terms) and in which it is assumed that human beings limit themselves to making *ad hoc* decisions in terms of maximization<sup>16</sup>. According to this approach, it seems that human beings do not need to adapt their behavior to any established moral rules, since the most appropriate decision in each case will be determined by a mere criterion of optimization (which also comes with the scientific aura that mathematical formalism has today) of the known ends to be achieved with the means, which are also assumed to be known and within the reach of the decision-maker.

This scientific conception of economics has been developed ad nauseam by authors such as Friedman, Becker, and Stigler, who emerged from

the Chicago School and maintain a certain liberal stance in the political arena.

However, the defense of the market by these and other authors is based exclusively on reasons of narrow utilitarian efficiency, so that, perhaps without realizing it, they always end up providing weapons and theoretical arguments to those who, on the contrary, advocate state intervention and even socialism.

Indeed, if it is assumed that the information is given and that action can be taken based solely on a narrow criterion of maximization, it is almost inevitable that the small additional theoretical step will be taken of assuming that such information and operational criteria can be used, even more effectively, by the government or state planning body itself, to "adequately" coordinate society in general or any of its particular sectors, via coercive mandates<sup>17</sup>.

In contrast to this reductionist conception of economics, the Austrian School has demonstrated that it is impossible for human actors, scientists, or members of any government or planning body to obtain the information that is assumed to be available in neoclassical models. The reason for this impossibility lies in the *creative capacity* of human beings and their entrepreneurial spirit, which is constantly discovering new ends, means, and opportunities for profit. Therefore, the reductionist and static concept of "rationality" used by neoclassical economists, which eliminates the

my aforementioned book *Estudios de economía política* (Studies in Political Economy), Unión Editorial, 1994, chap. XXII, pp. 250-284.

16 See my critical analysis of the *consequentialist* ideal behind neoclassical economics in the "Preliminary Study" to the Spanish edition of Israel M. Kirzner's book *Creatividad, capitalismo y justicia distributiva* (Discovery, Capitalism, and Distributive Justice), Unión Editorial, Madrid 1995, pp. 17-41.

17 The theorists of the Chicago School are, therefore, victims of what we might call the "paradox of the liberal 'social engineer'"; in effect, they fully share the scientific arrogance of neoclassical social engineers, while at the same time attempting to justify, with this perspective and analytical tools, supposed "liberal" policies that often contradict the essential principles of freedom, and thus end up unwittingly encouraging the institutional coercion that is characteristic of interventionism.



Parliament of Canada (Parliament Hill), Ottawa.



creative capacity of human beings at its root cannot be accepted.<sup>18</sup>

Furthermore, the impossibility of the narrow criterion of maximization exclusively guiding human action makes it inevitable that this action will develop within a framework of legal and moral behaviors that arise evolutionarily as an expression of human nature in the multiple processes of social interaction that have developed throughout history.

These moral and legal institutions cannot be a deliberate creation of human beings, as they incorporate such a large and variable amount of information that it far exceeds the capacity for foresight, analysis, and understanding of the mind of each individual. And yet, these legal, moral, economic, and linguistic institutions are precisely the most important for the development of life in society and, therefore, of civilization.

All these teachings, which have been refined by theorists of the Austrian School, especially during the debate they held throughout the 20th century on the theoretical impossibility of socialism, make it clear that the market and economic freedom must be defended, not only for strict reasons of "dynamic efficiency"<sup>19</sup> (i.e., because they promote greater creativity and more effective coordination between human behaviors), but also, and above all, because the capitalist economic system is socially the only ethical and moral one.

If ethics entered into crisis in the 20th century,

it was as a consequence of the deification of reason that is characteristic of exaggerated scientism, according to which it is assumed that every human being can and must decide ad hoc according to their subjective impulses and based on maximization criteria, without the need to submit to previously established moral behaviors. This erroneous scientific conception of economics has become one of the essential foundations of socialism, which can in fact be defined as an economic system in which the government seeks to coordinate civil society through coercive mandates, assuming that it has the necessary information to do so, and without the need to submit to any dogmatic moral principles<sup>20</sup>.

Therefore, the theoretical demonstration that it is impossible to act in this way, which we owe to Mises and Hayek, has once again given prominence to the ethical principles of traditional morality in social cooperation on which the market economy is based and which had almost been relegated to oblivion by politicians, scientists, and a large part of the population. Among these principles are the right to property and to the peaceful acquisition of the results of one's own entrepreneurial creativity; individual responsibility, understood as each actor assuming the costs of their actions; the consideration that forced "solidarity" is immoral, as it loses the essential ethical component that it must always have and only gives freedom; and, in short, that state coercion applied to achieve specific objectives in the social sphere is immoral because

it goes against human nature and the principles of respect for individual human freedom and equality before the law on which a true rule of law is based.

The defense of the ethical and moral character of the market economy and liberalism is essential to ensure the political success of libertarian reforms, putting an end to the monopoly on "moral" argumentation that interventionist politicians (on both the left and the right) have enjoyed until now due to the ethical inhibition that has its origins in the narrowly utilitarian rationalism of the neoclassical school. One of the most recent and important contributions of the theory of freedom in this century has been precisely to demonstrate that the purely consequentialist analysis of costs and benefits developed so far by economic science in terms of strict utilitarian efficiency *is not sufficient* to justify the market economy on its own.

Therefore, developing the ethical foundation of the theory of freedom is essential, basically for the following reasons:

- a) The spectacular failure of "social engineering" and, specifically, of consequentialism derived from the neoclassical-Walrasian paradigm that has dominated economic science until now.
- b) Because the theoretical analysis of market

processes developed by the Austrian School based on the theory of entrepreneurial function and the concept of "dynamic efficiency" is also insufficient to justify the market economy on its own, especially in the face of those privileged interest groups that always benefit short-term beneficiaries of coercive state intervention, whose temporal preference for subsidies, privileges, and *present* advantages always outweighs the subjective value they place on the negative consequences that interventionism, from which they now benefit, may have in the future.

- c) Above all, because from a strategic point of view, it is basically moral considerations that drive the reformist behavior of human beings, who are often willing to make significant sacrifices to pursue what they consider good and just from a moral point of view, whereas this behavior is much more difficult to ensure on the basis of narrow criteria of efficiency, which consist solely of cold cost-benefit calculations, whose virtuality and scientific basis are, moreover, more than doubtful.

We must therefore conclude that no libertarian reform will be successful in the long run if its pro-

18 See my preliminary study to the 5th Spanish edition of Ludwig von Mises, *Human Action: A Treatise on Economics*, Unión Editorial, Madrid 1995, pp. xxi-lxxi (6th ed., 2001).

19 The phantasmagorical static concept of Pareto efficiency must therefore be abandoned and replaced by a "dynamic" one based on creative capacity and entrepreneurial function. According to the dynamic criterion we propose, what is important, in short, rather than avoiding waste and placing the system at some point on the "maximum production possibilities curve" (Pareto criterion), is to encourage entrepreneurial creativity and constantly move that curve to the right (alternative criterion of dynamic efficiency). Of course, when we refer to the "maximum production possibilities curve," we do so only in a metaphorical sense so that our readers from the neoclassical tradition can understand us, but without forgetting that such a curve *does not exist*, since its points are not given (they vary constantly) and can never be known.

20 This was the opinion of John Paul II who, when asked whether capitalism is the path to economic and social progress, replied unequivocally: "If by 'capitalism' we mean an economic system that recognizes the fundamental and positive role of enterprise, the market, private property, and the consequent responsibility for the means of production, and free human creativity in the economic sector, then *the answer is certainly positive*, although it would perhaps be more appropriate to speak of 'business economy,' 'market economy,' or simply 'free economy.'" See John Paul II, *Centessimus annus*, PPC, Madrid 1991, chap. IV, no. 42, p. 8 (emphasis added).



Parliament of the Republic of San Marino (*Consiglio Grande e Generale*), San Marino.

## VII. Actions at the historical level

motors do not argue with full knowledge and energy to their fellow citizens that the market economy is not only more efficient but also, and above all, the only economic system in accordance with morality. And, at the same time, that state interventionism and the actions of the interest groups that support it are essential particularly immoral.

The third and final level at which action must be taken to break the vicious circle of political impossibility is that of everyday practical reality, which we will call the "historical level." It is clear that the outcome of political decisions depends on public opinion at any given moment and on the way in which it influences political processes, which in turn are influenced by public opinion<sup>21</sup>. Furthermore, public opinion is the result of a series of ideologies, beliefs, and principles, often false and contradictory, but which slowly filter into the social fabric through a constellation of *ideological intermediaries*, whom Hayek calls *second-hand dealers of ideas*, that is, second-hand dealers of other people's ideas. Among these, the following stand out "intellectuals": novelists<sup>22</sup>, historians, film scriptwriters, and those professional disseminators of other people's ideas who are

journalists, who are responsible every day for communicating and interpreting the latest news.

Well, the main and most urgent responsibility at this level of everyday reality is to change public opinion, basing it on appropriate theory and morality that are in line with libertarian principles. This requires a great deal of effort and perseverance, directed above all and first and foremost at educating these "intellectuals" and disseminators of foreign ideas, winning them over to the scientific and ethical cause of freedom, which is already perfectly articulated at the theoretical and ethical levels we have just discussed. In this way, the libertarian ideal will be able to ferment in the social body, thanks to the effective work of an "army" of disseminators and intellectuals who act by applying the already established principles of pure freedom theory to the concrete reality of everyday life.

What specific activities can and should be carried out in this field? By way of example, and without wishing to be exhaustive, we can classify the activities that need to be promoted and developed every day without pause in this area as follows:

- a) Teaching and training activities. These involve organizing training seminars in universities and, in general, promoting meetings, confe-

21 "The political supremacy of public opinion... determines the course of history... The exceptional man fails when he attempts to act in the social order if he has not first won over public opinion. The progress of humanity depends, on the one hand, on the social and economic discoveries made by the most intellectually gifted individuals and, on the other hand, on the ability of those same individuals or others to make these ideologies attractive to the majority." (emphasis added). Ludwig von Mises, *Human Action: A Treatise on Economics*, cit., p. 1,021.

22 For example, the harmful effect that Dickens' novels had in spreading the mistaken idea that the Industrial Revolution caused serious harm to the working classes cannot be minimized, when, in fact, it has been proven that the opposite was true. Unfortunately, for every novelist who, like Ayn Rand, interprets reality according to an appropriate theory and morality based on liberal principles, there are many others who, like Dickens, always express themselves in a biased manner contrary to the essential principles of the capitalist economic system, ultimately causing incalculable social damage to civilization and becoming directly (albeit "indirectly") responsible for the most serious social conflicts and violence. See F.A. Hayek (ed.), *Capitalism and the Historians*, University of Chicago Press, Chicago 1954. On Ayn Rand, author of, among others, the novels *The Fountainhead* and *Atlas Shrugged*, and her influence on the American liberal movement, see C.M. Sciabarra, *Ayn Rand: The Russian Radical*, The Pennsylvania State University Press, Pennsylvania 1995.



Parliament of Ukraine (Verkhovna Rada), Kyiv.



rences, lectures, and workshops where intellectuals and communicators can learn firsthand about the essential principles and arguments on which the market economy is based. These meetings also serve to exchange experiences and propose new ways of articulating the practical application of liberal principles to the general public.

- b) Activities related to the dissemination and publication of books, works, and studies related to the libertarian ideal. A large group of companies and institutions (business organizations, chambers of commerce, foundations, etc.) also promote, to a greater or lesser extent, studies and research aimed at applying liberal ideas to the most pressing social problems.
- c) Activities related to the media. The aim is to promote the emergence of magazines specializing in the study and application of liberal ideas; to ensure that prestigious periodicals adopt an editorial line committed to the market economy; to maintain good and constant relations with media professionals, especially those who are most sympathetic to liberal ideals; and, finally, to influence the mass media, such as radio and television, which today have the greatest popular impact<sup>23</sup>.
- d) Creation of liberal-leaning institutes and *think*

*tanks*. The aim is to replicate the proven successful model of creating, promoting, and developing liberal institutes and foundations dedicated to analyzing social problems from a liberal perspective and awarding scholarships and grants institutions for the study, development, and articulation of concrete liberal reform policies. Thus, in Spain, for example, the Institute for the Defense of Free Trade (IDELCO), the Foundation for Analysis and Social Studies (FAES) and, above all, the Juan de Mariana Institute, the Foundation for the Advancement of Freedom, Civismo and others which, following the model of the British *Institute of Economic Affairs*, are sometimes having a major impact on the political class and public opinion in general<sup>24</sup>.

- e) Finally, adequate *international coordination* of all these activities is essential. For example, the exchange of experiences between institutes in different countries and mutual assistance at the international level between theorists and disseminators of libertarian ideas has proven extremely beneficial. Here, in the academic sphere, a leading role has been played by the Mont Pèlerin Society, which was created by Hayek after World War II and today includes more than four hundred liberal inte-

23 As far as periodicals are concerned, although there is still a long way to go, in our country the important role currently being played by media such as AVANCE magazine, *Nueva Revista*, *Veintiuno* and, in its day, the *Negocios* publishing group (comprising the daily newspaper *Gaceta de los Negocios*, the weekly magazine *Dinero* and the radio station *Intereconomía*) stands out; the peculiar circumstances of television in our country have not yet made it possible to introduce an adequate editorial line in favor of free enterprise in this decisive medium. In the field of the media, it is particularly important to establish systems for monitoring articles, information, news, and comments that may be detrimental to the liberal ideal and that come from any medium, promptly entrusting in each case the liberal professionals, theorists, or thinkers who are considered most suitable to produce the corresponding responses (also in the form of articles, papers, and commentaries) highlighting the errors contained in the published information, taking special care to ensure that the corresponding works are published at the most appropriate time and place.

24 The creation of this type of institute dates back to an initiative by English businessman Sir Antony Fisher who, after World War II and eager to take action in pursuit of freedom, contacted Hayek to ask what he could do in this area. Hayek discouraged him from entering politics, convincing him that the medium-term returns on his efforts would multiply exponentially if he were able to create a think tank dedicated to the analysis and popularization of liberal ideas and acting as a melting pot for the efforts of academics, intellectuals, and politicians. Thus, on November 9, 1955, under the direction of Ralph Harris and Arthur Seldon, the *Institute of Economic Affairs* was created, whose model has been replicated in hundreds of institutes throughout the world in recent decades, thanks to the efforts of the *Atlas Research Foundation*, also initially promoted by Anthony Fisher himself. A detailed analysis of the history and importance of such institutes and foundations in the libertarian revolution of recent decades can be found in Richard Cockett's book *Thinking the Unthinkable: Think-Tanks in the Economic Counter-Revolution, 1931-1983*, Harper Collins Publishers, London 1994.

lectuals, seven of whom have been awarded the Nobel Prize in Economics<sup>25</sup>. Also noteworthy is the role of the Atlas Research Foundation, promoting the creation of institutes in Latin America, Asia, and Eastern Europe has been of great importance in spreading liberalism in areas that until now were the preserve of Marxism and international socialism. Finally, the work of organizing academic seminars and publications carried out at the international level by the Liberty Fund, the Institute for Humane Studies, the Cato Institute, the Ludwig von Mises Institute, and many others should be highlighted.

Logically, all these types of activities must be carried out in accordance with the principle of specialization and division of labor. A single

person or institution cannot and should not spread its efforts across all of them. On the contrary, the various activities must be carried out in a specialized and professional manner, although it is true that adequate coordination and articulation of functions tends to enhance the positive outcome of each initiative. Thus, little by little, continuous and combined action in all these fields ends up exposing to the public not only the errors of interventionism, its profound immorality, and the selfishness of privileged interest groups that take short-term advantage of the mechanisms of political power, but also makes possible the irreversible erosion of the *establishment* and interventionist ideologies, leading to a widespread public opinion in favor of the market economy and liberalism which, although slow to grow, ultimately becomes con-

25 For more information on the Mont Pèlerin Society, see R.M. Hartwell, *A History of the Mont Pèlerin Society*, Liberty Fund, Indianapolis 1995; and in Spanish, my references to its foundation, content, and evolution in my article "Los paladines de la libertad económica" (The Champions of Economic Freedom), in *Lecturas de economía política* (Readings in Political Economy), Unión Editorial, Madrid 1987, vol. III, pp. 204-207.



Parliament of the Federal Republic of Germany (*Bundestag*), Berlin.

## VIII. The role of politicians in liberal reform

solidated and inexorable and irresistible from a social and political point of view<sup>26</sup>.

It is often said that a good politician is one who gets along best with voters, which is why it is also often said that, in general, politicians limit themselves to *reaping* a previous state of public opinion. According to this approach, politicians are nothing more than a melting pot of the society from which they emerge, and in fact there is a lot of truth in this idea<sup>27</sup>. Thus, for example, Goldwater and Reagan, in their respective campaigns for the presidency of the United States, put forward very similar liberal ideas; yet one, Goldwater, lost the election because in 1964 American society was imbued with the myths of the welfare state, while Reagan won by an absolute majority twice after 1980, basically because the center of gravity of public opinion in the United States had shifted massively in favor of the ethical and theoretical principles that are characteristic of the capitalist system<sup>28</sup>. For this reason, and to the extent that it is true that politicians limit themselves to harvesting a state of opinion, the need to act on intellectuals and disseminators of foreign ideas, according to the recommenda-

tions we have made in the previous section, takes on special relevance, as they are ultimately what guarantees the change in the direction of public opinion that politicians tend to follow.

However, the thesis that politicians simply harvest a state of opinion does not capture the *whole* truth. Rather, we tend to think that politicians, despite the obvious restrictions imposed on them by their environment and public opinion, often have considerable *room for maneuver*, not only to act in pursuit of appropriate reforms, but even to mobilize public opinion in favor of them.

That is why we consider the now classic definition of political activity by Cánovas del Castillo to be very appropriate, for whom "politics is the art of realizing, at each moment in history, that part of the ideal that circumstances make possible."<sup>29</sup> Note that this definition refers to trying to achieve as much of the ideal as possible, so that, according to it, there could and should be a clear sense of liberal belligerence in all political activity. The cases of Reagan and Thatcher, who drove the liberal-conservative revolution of the 1980s in the United Kingdom and the United States, are paradigmatic and demonstrate how much charismatic politicians

26 It is true that, in our own country, there is still much progress to be made in pursuit of a market economy. And yet, looking back and comparing the current situation with that of twenty or thirty years ago, the change that has taken place in public opinion in favor of liberalization in many areas is impressive. Today, few deny the beneficial effects of increased competition in the field of air transport; the possibility, for example, of infant formula being sold in all stores; or the beneficial effect of the emergence of competitors to Transmediterránea in maritime communications with the islands of our national territory, to cite just a few examples of liberalization that have gradually been successful in our country.

27 "The most fruitful theories lose their potential if public opinion does not support them. They are totally ineffective if the majority rejects them. In the long run, it is impossible to govern, regardless of the political system, in disagreement with public opinion. Ultimately, the majority philosophy always prevails. An unpopular and lasting government is not possible. In this respect, there is no difference between democracy and despotism." Ludwig von Mises, *Human Action: A Treatise on Economics*, cit., pp. 1,020-1,021.

28 The so-called "conservative revolution" initiated by Reagan continued to expand until, for the first time in many years, the Republican Party came to dominate both houses of the US legislature, and President Clinton was forced to significantly liberalize the content of his political discourse.

29 Quoted by Lucas Beltrán in his article "Seis nombres para una visión de Cataluña" (Six names for a vision of Catalonia), *La Vanguardia Española*, Barcelona, September 2, 1976, p. 15.



Parliament of the United Mexican States (*Palacio de San Lázaro*), Mexico City.



can achieve when, whether out of conviction or driven by circumstances, they decide to promote liberal reform in their respective countries. That is why it is so important to place as many “professional politicians” with libertarian training and commitment as possible among the political class. The aim is for them to understand the principles on which the reforms are based and the main consequences, implications, and arguments in favor of them, so that they become capable of presenting the liberal ideal in a way that can be understood and is attractive to most of the population. The ability of a professional politician to articulate principles at the grassroots level, to convince and inspire the masses with the liberal project, is invaluable. From this point of view, it is very useful to classify professional politicians into four main groups, which would be as follows:

*First:* Professional politicians who are exclusively and purely *pragmatic*. These are people who are unfamiliar with liberal principles and their implications. They know nothing about libertarian ideology and have no interest in learning about it, as their sole interest lies in achieving and maintaining political power, for which their personal skills are sufficient. Unfortunately, this group of politicians is unaware of the children affected by the interventionist measures they sponsor at the tactical and pragmatic political level, they have so far been the most numerous among those who make up the professional political class, which is mainly composed of lawyers, professors, intellectuals, and journalists whose only political experience and skill lies in their ability to spread unfounded ideas<sup>30</sup>.

*Second:* Pragmatic politicians who, neverthe-

less, *have learned something* about the essential principles and implications of libertarian theory. These politicians have an intuition and knowledge about the proper functioning of social interaction processes that they have acquired either through training or as a result of the experience gained from spending several years in power. Thanks to this greater knowledge, they are therefore at least aware of the serious damage they do when they sponsor measures of intervention in the social body, although, given their lack of conviction and eminently pragmatic nature, it would be illusory to think that they might develop any guilt complex about their responsibility for the damaging effects of their actions children that generate the interventionist measures they sponsor at the political level.

*Third:* Politicians well trained in libertarian ideals who seek, at least timidly, to steer their political actions in the *right direction*. This is a group of political professionals who, imbued with liberal ideology, do their best to minimize the damage that their activity naturally generates, although it is true that, in most cases, they are disconcerted by the serious difficulties and restrictions of everyday life and there is little they can effectively do to promote liberal reforms in practice<sup>31</sup>.

*Fourth:* Politicians who are familiar with liberal theory and who are capable of directing the course of events political foundations towards the ultimate goals. Its main characteristics are: 1) its ability to *articulate* libertarian ideology in an optimistic and attractive way to the masses of voters; 2) the ability to convince citizens of the need for reforms; and 3) the ability to inspire the majority of the electorate with their project. This last group consists of a handful of *exceptional politicians*. Those nations

30 On the origin and role of the professional politician as a disseminator of second-hand ideas, see Max Weber’s classic work *The Politician and the Scientist*, published in Spanish with an introduction by Raymond Aaron by Alianza Editorial, Madrid 1981.

31 This group should also include those politicians who, rightly or wrongly, believe that political circumstances do not allow them to go any further, and remain “crouching” in wait for circumstances to change so that they can become politicians of the “fourth group,” capable of pushing through radical reforms. Whether this justification corresponds to reality or is merely a self-justifying illusion of their own shortcomings is something that will have to be judged in each specific historical case.

in which, at some point in history, a “purebred politician” endowed with all these characteristics emerges should consider themselves very fortunate. Such is the case, and not even throughout their entire political careers, of Erhard, Reagan, Thatcher, and Vaclav Klaus, among those who have succeeded in promoting, developing, and completing important liberal reforms; and of Vargas Llosa and Antonio Martino, among those who tried and, for one reason or another, failed to achieve it. All of them are noble examples to follow and imitate for any professional politician who wants to succeed in putting their liberal convictions into practice<sup>32</sup>.

It is clear that the activities outlined in the previous sections must be directed as a priority towards training and influencing as large and

well-prepared a group of politicians as possible, so that we can ensure that they are capable of classifying themselves in the third and fourth groups we have just described. To achieve this ambitious goal, we should use as wide a range of activities as possible, with the aforementioned libertarian institutes playing a leading role, especially when it comes to connecting the principles of libertarian theory and ethics with their practical application in the form of concrete policy measures, directed in the right direction toward the ultimate goals, that are well articulated in political terms and attractive to broad segments of the population. The reforms must also be designed in such a way that they contain elements that make them de facto irreversible, as they favor large and

32 Following the English example, it would be highly advisable for a committee of liberal observers to classify contemporary politicians into one of these four groups and to publish its findings on a regular basis, with the aim of exposing those whose performance is most contradictory and/or harmful, while at the same time fostering healthy competition among liberal politicians to rise in the ranking, improve their training, and strive to enhance their professional conduct.



Parliament of the Republic of Kenya (*Parliament Buildings*), Nairobi.

## IX. How much should politicians lie?

numerous groups of citizens who, by benefiting from them, are won over to the liberal cause once and for all<sup>33</sup>. It is therefore of paramount importance to creatively introduce all possible elements to make liberal reforms politically irreversible.

**D**espite the above considerations, we must not deceive ourselves: politicians face many restrictions and, in most cases, their margin is very little room for maneuver. What is more, the difficulties that arise in day-to-day politics are so numerous that it has become generally accepted that one of the typical characteristics of politicians is their ability to deceive and lie to the electorate. Is this inevitable? What are the limits that, from our point of view, a libertarian politician should never cross? How much should politicians lie?<sup>34</sup>

Recognition of the limitations and restrictions to which liberal politicians are subject should never make them forget the unavoidable need to follow the *dual strategy* we have explained above. Liberal politicians, therefore, must never lose sight of their guiding principles (which are the ultimate goals and their essential theoretical and ethical implications) and, at most, may be allowed to adapt their behavior to the difficulties and pitfalls of each moment. Thus, they may be excused for occasionally *remaining silent* about certain reforms they intend to carry out when

circumstances permit, and even for remaining silent about certain consequences and implications of some of their political decisions. Some *calculated* behaviors may also be accepted *ambiguity*, especially during election periods, with the aim of avoiding discussion of certain issues which, due to their complexity, could be difficult to explain in detail to the public, or which could leave the opposition open to easy demagoguery. Finally, it can be accepted that libertarian politicians "know how to tell the truth" as it suits them, and even that they make use of "healthy demagoguery," such as when they defend measures that are always popular but have a strong liberal content, such as those relating, for example, to indiscriminate tax cuts or the reduction or elimination of compulsory military service<sup>35</sup>.

However, from a liberal point of view, none of the following behaviors can be accepted under any circumstances: a) deliberately lying about a specific aspect of political activity, telling citizens the exact opposite of what one intends to do<sup>36</sup>; b) accepting changes to the program that completely distort libertarian ideology; and c) most seriously, taking measures that run counter to what one claims to be pursuing in the long term and that even betray the essential ethical or theoretical principles of libertarian ideology<sup>37</sup>.

Without ever exceeding the above limits, even

33 A prime example of irreversible libertarian reform was the privatization of municipally owned housing in England, which was sold by the Thatcher government to its tenants (mostly millions of modest workers), who thus became small property owners whom no party, not even on the left, would dare to expropriate.

34 This was the suggestive title of an article by Pedro Schwartz published in *Cinco Días* on Monday, November 27, 1995, p.

35 In any case, we must avoid leaving the monopoly on the use of demagoguery to interventionist parties, and while we must recognize that it is certainly more difficult for a libertarian to resort to demagoguery, this does not mean that there are no important liberal prescriptions whose demagogic content can, on occasion, be conveniently exploited.

36 As is well known, this tactic of deliberate lying has been used time and again by politicians from the Spanish Socialist Workers' Party in almost every legislative session.

37 As an example of what not to do, we could mention the establishment of subsidies for housewives and newlyweds, which have been adopted by some supposedly liberal politicians as soon as they came to power in certain Spanish autonomous communities; or the explicit support for restrictions and interventions in business hours, urban rental law, or labor legislation, which unfortunately the relatively most liberal political party in our country fell for in the past.



Parliament of the Kingdom of Bhutan (Gyelyong Tshokhang), Thimphu.



a "Leninist" strategy<sup>38</sup> can and should be accepted, aimed at obtaining as much support as necessary to move forward with the liberal reforms and that, depending on the specific area and circumstances in which they are implemented, it will be necessary to seek allies in various social groups and institutions<sup>39</sup>. Furthermore, as we have already seen, liberal reforms must be consolidated and implemented in such a way that they become *irreversible*. In short, our libertarian strategy must always be aimed at gaining support and weakening and inhibiting interventionist opposition. On the other hand, when it comes to designing and promoting liberal reforms, if we are to err on either side, it should be by excess rather than by default. There is nothing more regrettable than the frequent case of the politician who comes to power with a liberal program and strong public support and, when the moment of truth arrives, due to a lack of determination or conviction in his own ideas and timidity in putting them into practice, falls far short of the expectations created, completely discrediting himself and, more seriously, the liberal ideology he claimed to defend<sup>40</sup>.

In any case, the specific political outcome depends at each historical moment on many specific circumstances that cannot be theorized. However, it would be possible to list a series of

"trend laws" that can facilitate the politician's action when it comes to understanding and trying to manage the relationship between the world of public opinion and the sphere of concrete political action in which he operates. Thus, it can be said that, all other things being equal, the more educated the public is, the more radical the political opinion may be, and the more radical the message of the liberal politician may be. *Conversely*, the less educated the public is, the more difficult it is for the libertarian content of the political message to be understood and shared by the citizenry. Another law of tendency is that the more traumatic the initial social situation, the more radical the message can be; indeed, it is in situations of real social crisis that citizens are most willing to accept sacrifices and *shock* policies<sup>41</sup>. Another rule of thumb is that, *ceteris paribus*, the more professional politicians there are in a country belonging to the "third" and "fourth" groups (made up, as we recall, of those politicians who are more educated and convinced of liberal ideology and more capable of articulating and making their message attractive), the more radical the liberal policies they advocate can be. *Conversely*, less well-prepared professional politicians, i.e., those from groups "one" and "two," will be unable, due to their own contradictions and

38 This is, for example, the term used by S. Butler and P. Germanis to describe the strategy they propose for liberal reforms in their article "Achieving Social Security Reform: A 'Leninist' Strategy," *The Cato Journal*, vol. 3, no. 2, Fall 1983, pp. 547-556. On the most appropriate strategy for achieving the triumph of freedom, see the thought-provoking work by Murray N. Rothbard, "Toward a Theory of Strategy for Liberty", chapter XXX of *The Ethics of Liberty*, New York University Press, London and New York, 1998.

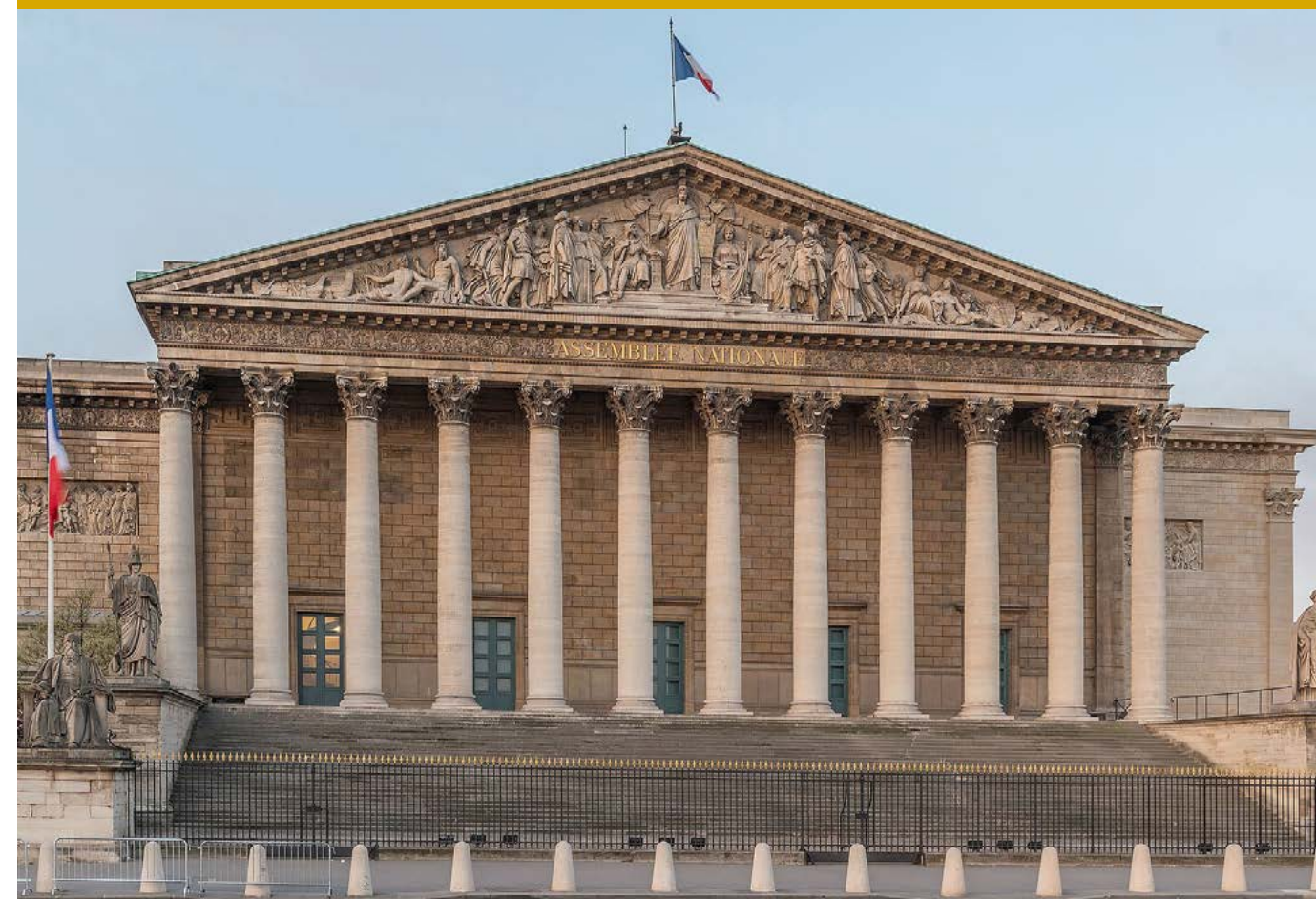
39 Thus, for example, in relation to Social Security reform, the most important group to be targeted is relatively younger workers, who are the most disadvantaged by the maintenance of the pay-as-you-go system on which the public Social Security system is currently based, which is now in crisis in all Western countries. With regard to the liberalization of business hours, it is clear that large retailers, housewives, and consumer organizations are the groups most interested in promoting and maintaining liberal reforms; and so on, in each case it will be necessary to identify where the most important support can come from.

40 "When politicians have reflected on the reform they are preparing; when there is agreement that it is timely and beneficial, then bring it to the world and make it prosper with all your strength. Tenacity must be one of the politician's foremost qualities. Never abandon the work you have begun, once you are convinced of its relevance and usefulness. Work hard for it; devote all your time and energy to it. If your efforts do not achieve flattering success, the time will come when your good will will be recognized and when all eyes will turn to you in demand of your initiatives. José Martínez Ruiz (Azorín), *El político (con un epílogo futurista)* [*The Politician (with a Futuristic Epilogue)*], *Complete Works*, Volume VIII, Rafael Caro Raggio, Editor, Madrid 1919, pp. 194-195.

41 This is one of the aspects that most influenced the popular acceptance of the Liberalization Plan implemented by Erhard in West Germany in 1948 and which, against all odds predicted by the advisors of the occupying powers, gave rise to the "German economic miracle." A description of this Plan by Erhard himself can be found in his book *Prosperity Through Competition*, op. cit.



National Assembly of the French Republic (Palais Bourbon), Paris.



## X. Conclusion

theoretical and ethical shortcomings, to adequately articulate and defend a liberal message whose content they do not share and are unfamiliar with. Finally, and especially in more electoral periods, the more certain it is that the elections will be won for ancillary reasons, the less necessary it will be to radicalize the libertarian message. *Conversely*, it is in circumstances where electoral victory is more distant that a more radical message can and should be launched against the interventionist *status quo*.

**F**inally, we will conclude by making a recommendation to all liberal politicians who prioritize their desire to achieve, attain, and maintain power over the ultimate goal of developing, promoting, and completing a comprehensive reform of liberalization in the economy and society.

Firstly, we must reiterate that, in any case, if you are going to sin in any way, it should always be by excess; that is, you should radicalize the message to the point of putting both your party members and your fellow citizens to the test. Only in this way will he be able to experience and appreciate whether or not he has the qualities to be a politician belonging to the "fourth group," that is, capable of inspiring and mobilizing the electorate in pursuit of a properly articulated policy of liberal reforms. The worst that can happen to him is that, as a result of his relatively more radical stance, he fails to prosper in his own party and is marginalized by its more "pragmatic" leaders

and supervisors. Well, it is precisely the acceptance or rejection of his message and person within his own political formation that is the unequivocal and definitive test of whether or not he should continue to devote his efforts to political activity: if he is not accepted, it is better to let other less committed political professionals (belonging to groups three and two) take the lead temporarily, as this will prevent him from burning himself out with unnecessary efforts, which will possibly be much more fruitful in the long run time in other (non-political) activities of libertarian study and dissemination<sup>42</sup>.

In this way, you will not waste time or exhaust yourself in activities that, due to environmental restrictions, make it very difficult to pursue the ideal and which, in any case, can be carried out by other less committed professionals. Furthermore, it is always advisable to remain someone "in reserve" in case circumstances change in the future and, faced with more pressing needs, he is called upon to take on greater political responsibilities, in an environment where he can develop his liberal program without unnecessary partisan obstacles<sup>43</sup>.

There is, therefore, a clear relationship between what the political environment allows and the advisability of personal involvement in it by a politician with strong libertarian convictions. The greater the restrictions, the more difficult it will be for them to operate in that

42 It is also acceptable, especially in the case of professional politicians who cannot or do not want to engage in any other activity, that, as we have described in note 31, they adopt the tactic of becoming "group three" politicians, much more "pragmatic" and, therefore, less "radical" and "uncomfortable," waiting for circumstances to change so that they can push for more radical reforms. The main risk of this tactic is, of course, that it ends up becoming a self-justifying excuse for immobility. Our judgment of each specific politician's behavior in this area will depend on the historical circumstances.

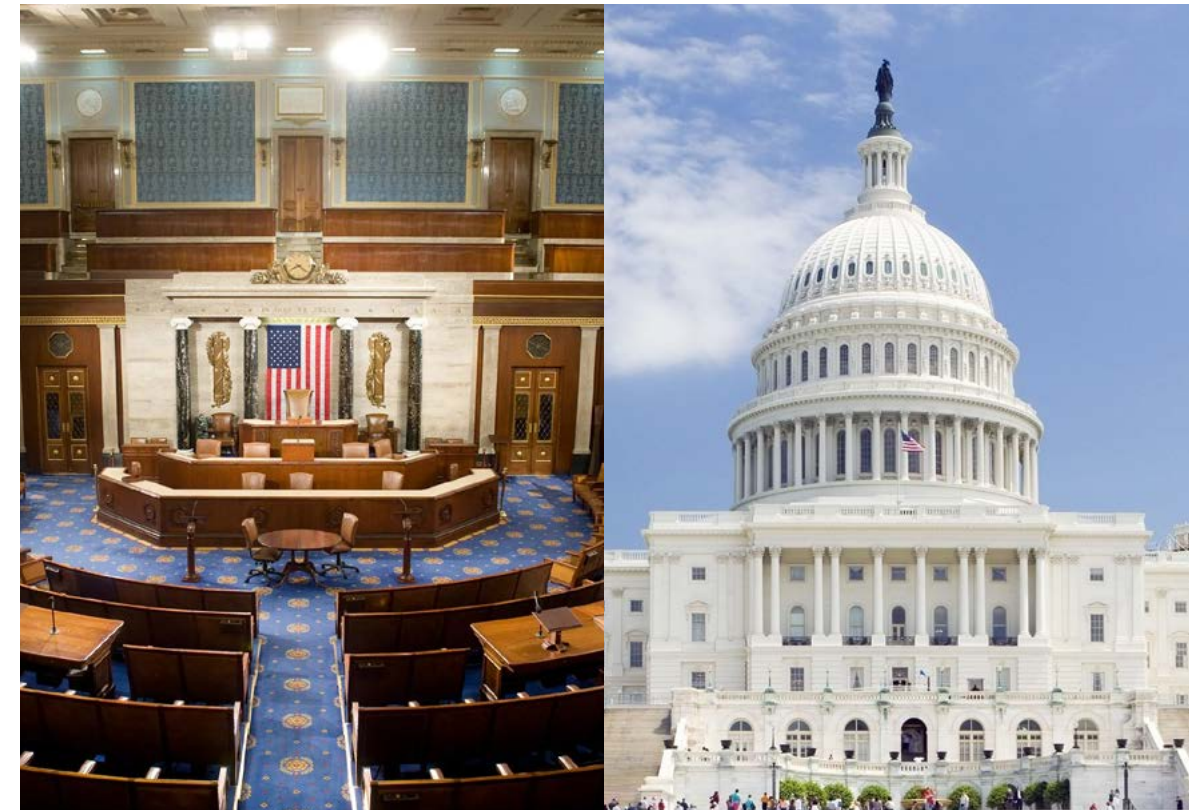
43 In these times of control by the most "lukewarm" politicians (groups one, two, and three), it is nevertheless advisable not to completely break away from the party, in order to exercise the necessary role of liberal critical conscience that constantly points out the contradictions and errors of those in power.

environment and the more likely it is that other colleagues who are less ideologically committed (belonging to groups two and three) will be able to carry out their work adequately. On the contrary, it will be in those circumstances where it is possible to promote a more radical program that his intervention and personal involvement will be most irreplaceable, since it is unlikely that other colleagues who are less educated and ideologically committed will know how to and be able to take advantage of the historic opportunity that presents itself to push forward

deeply liberal reforms. Logically, assessing when we are faced with one circumstance or another depends on the insight and political intelligence of each liberal politician.

In any case, the main risk of the recommended strategy is that the "group four" politician will ultimately be accepted by their party and, after presenting their program and defending it consistently, will fail to win the election or lose power. However, even in these adverse circumstances, which have occurred time and again throughout history, this negative out-

44 This seemed to be the case with the Chirac-Juppé duo after the victory of the "liberal right" in the 1995 general elections in our neighboring country.



United States Capitol, Washington, D.C.

## ABOUT THE FOUNDATION, THIS MAGAZINE AND ITS SPANISH AND ENGLISH SUPPLEMENTS

The publisher of *AVANCE de la Libertad* magazine and the supplement you are holding is the Foundation for the Advancement of Liberty (Fundalib), based in Madrid. Since 2015, the Foundation has been working in Spain and internationally for the cause of economic and personal freedom for all human beings. Fundalib is an entity associated with the prestigious Atlas Network, based in Washington, which brings together some 500 pro-freedom think tanks in a hundred countries. It is also a member of European networks such as Epicenter and ELF. The Foundation researches different aspects of freedom in various areas. In particular, it periodically compiles several national and international indices on the state of freedom, including the Regional Tax Competitiveness Index (IACF) and the Economic Freedom Index for Spain's Cities (ILECE). The IACF was one of the six finalists for the prestigious Templeton Prize in 2024, and the ILECE was awarded the Europe Liberty Award in 2020. Fundalib has won several other awards and distinctions, notably first place in the international think tank competition organized by the European Resource Bank in Chişinău (Moldova) in 2019. The two documentaries produced by the Foundation have been included in the official selection of festivals in the United States and South Korea,



Fundación para  
el Avance de la  
**Libertad**

and one of them won an international specialized festival (New York, 2023). The Foundation supports various civil society activist organizations and is a top publisher of books on the ideas of freedom. The Foundation's publications are available on the fundalib.org website, including the series of Brief Reports on Current Issues. Since June 2020, the Foundation has been publishing the aforementioned monthly magazine, which provides readers with brief opinion pieces aimed at spreading ideas throughout society. With a classical liberal and libertarian orientation, the magazine covers the entire ideological spectrum from classical liberalism to agorist and ancap positions, as well as objectivist philosophy. Fundalib thus seeks to promote the various families of individualism, aware of the fearsome resurgence of various forms of collectivism in our time, generally through the various populisms that are regaining political ground.

Since 2021, this magazine of short articles has been complemented by the supplement *Cuadernos para el Avance de la Libertad*. What you are looking at is an English edition of one of those *Cuadernos (Papers)*. On page 2 of this Paper, readers will find the code and web address to subscribe to the magazine, and on the website there are several other options for joining and supporting Fundalib.

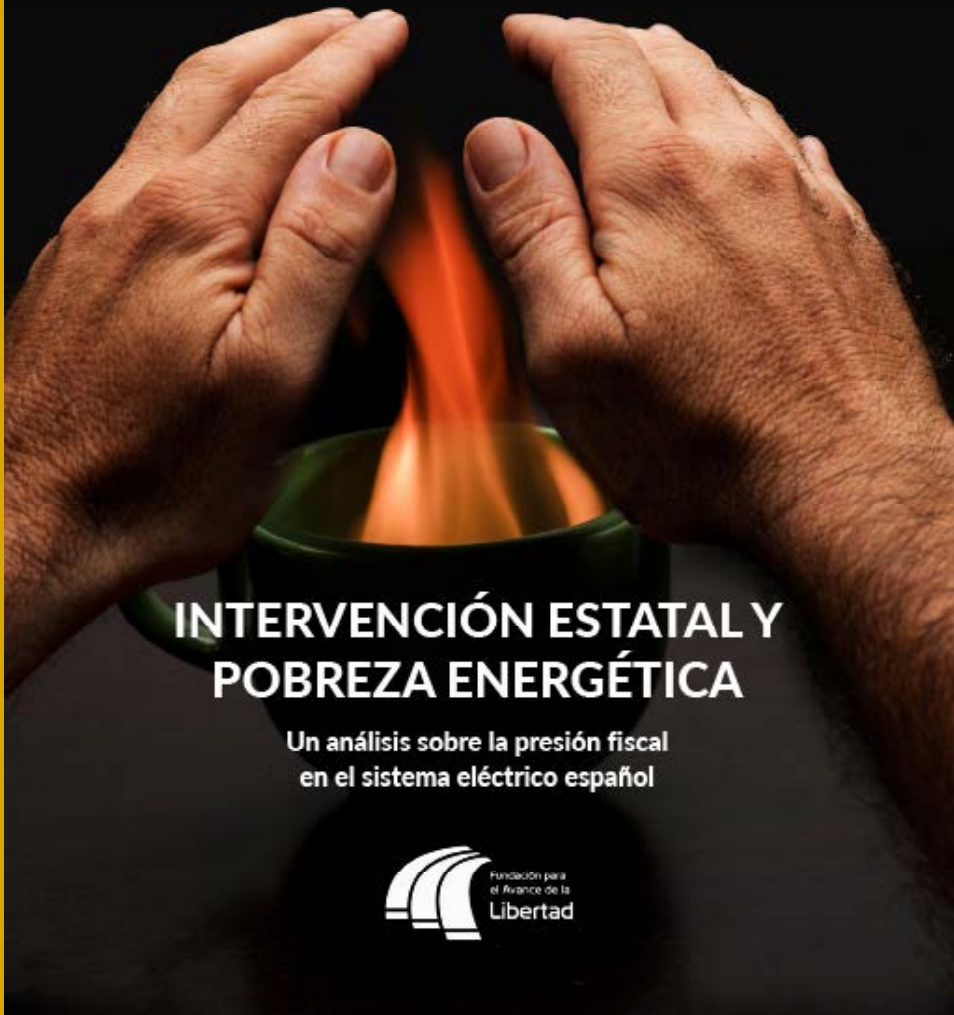


***Sixth edition of the award-winning annual study on economic freedom in Spain's fifty most populous cities.***

**NOW AVAILABLE ON THE  
FOUNDATION'S WEBSITE**

**[www.fundalib.org](http://www.fundalib.org)**

MARTA MARTÍNEZ ZORITA  
MANUEL FERNÁNDEZ ORDÓÑEZ



## INTERVENCIÓN ESTATAL Y POBREZA ENERGÉTICA

Un análisis sobre la presión fiscal  
en el sistema eléctrico español



**NOW AVAILABLE IN PRINT (152 PAGES)**

*Get your copy. Send your name and postal address to [contacto@fundalib.org](mailto:contacto@fundalib.org) along with proof of a donation of at least fifteen euros using any of the methods available at [www.fundalib.org](http://www.fundalib.org)*