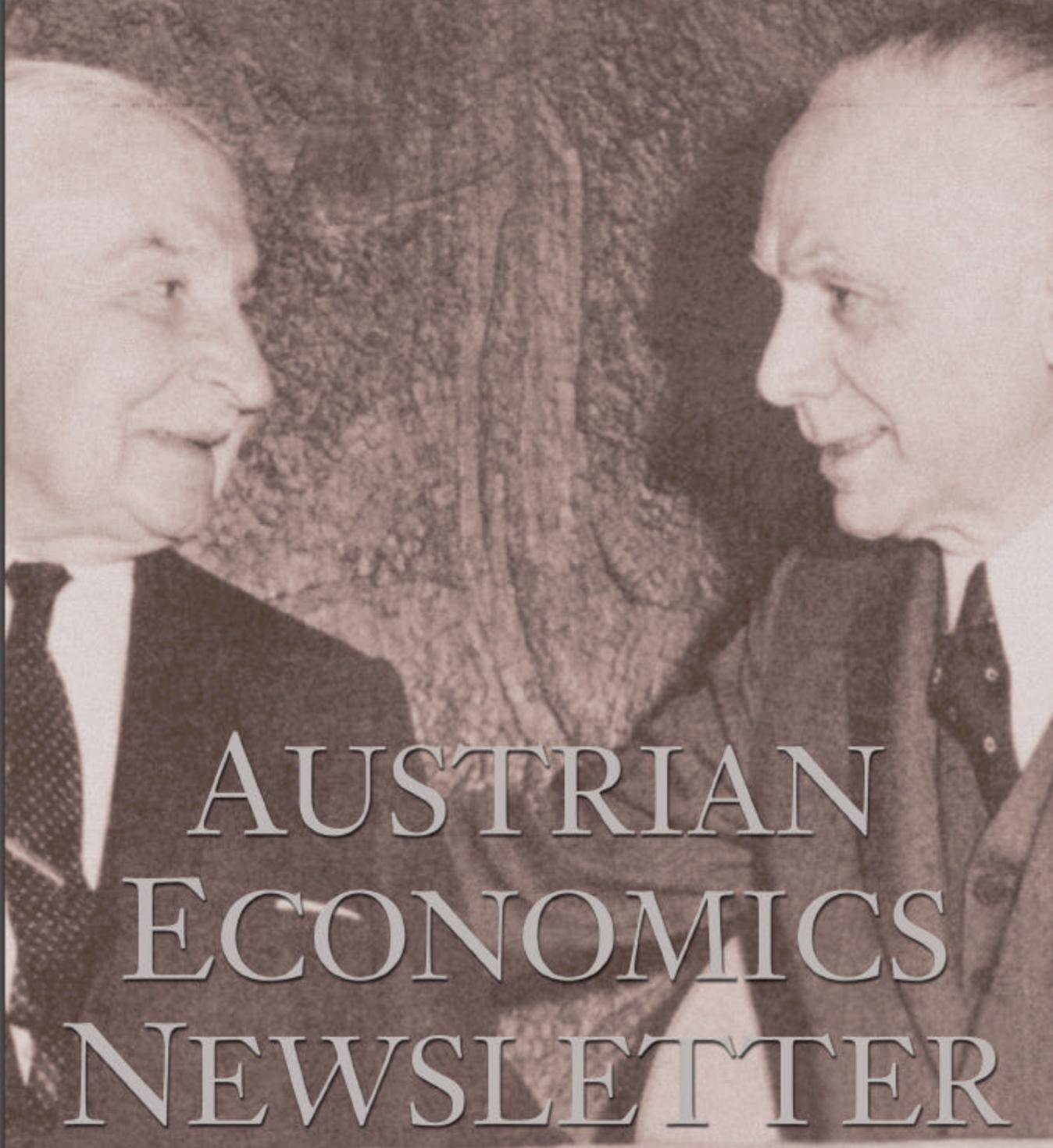


Mises in Moscow

Interviews With Alexander Kouryaev and Yuri N. Maltsev



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MISES IN MOSCOW



ALEXANDER KOURYAEV

Alexander Kouryaev is the translator of, and the motivating force behind, the Russian edition of *Human Action: A Treatise in Economics* by Ludwig von Mises.

Born in Chelyabinsk, Russia, in 1967, Kouryaev received an engineering degree from Chelyabinsk Polytechnic University and the State University of Management (Ph.D.) before entering into private economic and management consulting.

He has recently founded the publishing firm of Sotsium, which concentrates on works in liberal economic theory. Kouryaev may be contacted at alexx@elnet.msk.ru.

Yuri N. Maltsev is a Senior Fellow of the Mises Institute and professor of economics at Carthage College. Before coming to the U.S. in 1989, he was a chief consultant of the U.S.S.R. Bank for Foreign Trade and a member of a team of Russian economists who worked on President Gorbachev's reforms package.

Before joining the Carthage faculty in 1991, he was a Fellow of the U.S. Institute of Peace in Washington, D.C. Maltsev has written five books and over a hundred articles and lectures all over the world on current economic and political issues.

He has lectured often at Mises Institute teaching conferences. Maltsev may be contacted at ymaltsev@carthage.edu.



YURI N. MALTSEV

Dr. Kouryaev is interviewed here by economist Grigory Sapov (gr_sapov@mtu-net.ru).

Dr. Sapov, a visiting professor at Moscow State University who is quoted often by the Western press, runs a private economic consulting firm in Moscow. Sapov's website is a primary source for Russian editions of texts in the Austrian tradition: www.sapov.ru.

The initial translation of this interview into English was by Naila Cheremkhina, and completed by Jeffrey Tucker in consultation with Drs. Sapov and Kouryaev.

The significance of the translation is hard to overstate. For seventy-two years, the Soviet Union served as the showcase for socialist practice. Only a few years after the Bolshevik Revolution, Mises had shown definitively that socialism cannot work as an economic system, and had predicted its complete unworkability and final collapse. At the time, Mises was said to have been refuted by the "market socialists" of his day. But today, his work stands out as a model of prescience and intellectual integrity, and at last his 1949 masterwork is available in Russian.

SAPOV: When and how did you decide to translate Mises's great book?

KOURYAEV: It was April 1997, and I had completed an unrelated work project and was looking for another. For many years, I had wanted to engage in a systematic study of economic theory. But the standard American textbooks, occupying almost an entire bookshelf in my library, somehow did not inspire me. Having looked through them again, I made certain I was correct about this.

Then I had a look at a very thick book with the promising subtitle *A Treatise on Economics* by Ludwig von Mises. I looked through its contents and saw there many words of great interest to me: prices, exchange, market, interest, wages, and, what was of no small importance, such philosophic notions as the epistemological problems of time and uncertainty.

It included, on the one hand, an analysis of elementary categories ("A First Analysis of the Category of Action") and, on the other hand, broad and sweeping analysis ("Human Society"). It was "two in one": philosophy and economics in one bottle. The systematic worldview as suggested by Marxism demands a substitute that is an equally systematic substitute. My hopes were fully justified.

SAPOV: Mises was not well known in Russia. How did you come across this book in the first place?

KOURYAEV: It may sound hard to believe, but I simply bought this book in a Moscow bookstore, the Dom Knigi ("House of Books") on Novy Arbat Street. There was a foreign books section on the ground floor there. Primarily they carried textbooks on foreign languages and fiction. But by 1992–1993 the literature on marketing, management, and economic theory had appeared there. And so once in 1993 there appeared about twenty book titles mainly of the Austrian School:

Mises, Hayek, Rothbard (his essay about Mises), and Kirzner.

And I bought all of them. I was guided primarily by the titles and contents, but not by authors' names. At that time, I knew only about F.A. Hayek and Milton Friedman (*Free to Choose*). Since that time I have been preoccupied with the question: how did these books come to be on sale in Moscow? Who was that kind man, thanks to whom I came to be so outstandingly lucky in my life? He could hardly suspect (though, I am sure, he hoped in secret) that his actions would end with the translation and publishing of the main book in that collection.

Human Action is not the first work by Mises to be translated. *Bureaucracy* and then *The Anti-Capitalistic Mentality*, and finally *Planned Chaos* were published by Boris Pinsker in 1993.

SAPOV: To be completely precise, the first translation of Mises's work in Russian was his essay on inflation, printed in *Archiv für Sozialwissenschaft* in 1913. "The General Rise in the Cost of Living, from the Viewpoint of Economic Theory" came out in 1914, before the revolution, in a collection published in Russia. It was part of a series that appeared from 1913–1925, edited by M.I. Tugan-Baranovsky.

KOURYAEV: Yes, but in today's Russia this translation by Boris Pinsker was indeed the first. In 1994, he also published *Socialism*.

Both books got my attention. But when buying them, I was guided by anything but the knowledge of the Austrian School and the desire to know more about it. I bought the first one because of the word “bureaucracy” in the title, the second one because it claimed to be a systematic study of socialism. In other words, my motive had nothing to do with the author.

The title of the essay by Murray Rothbard, *Ludwig von Mises: Scholar, Creator, Hero* (Auburn, Ala.: Mises Institute, 1988), in that set from Dom Knigi suggested that there may be something I needed to know here. There was another book in the same set that made me think. It was D.R. Steele’s *From Marx to Mises: Post-Capitalistic Society and the Challenge of Economic Calculation* (La Salle, Ill.: Open Court, 1992). The title of the book already sent a certain signal to anyone who lived under the Soviets: if some name is mentioned alongside Marx, and it is suggested that he is a substitute for Marx, it meant something important, especially if you are looking for the theoretical refutation of Marxist doctrine.

SAPOV: And you had been on the lookout for something?

KOURYAEV: You know, in Soviet social sciences there was never any replacement of the old paradigm. The official ideology of the regime had remained Marxist until the end of 1991. Since January 1, 1992, a truncated capitalism

has been introduced by decree from the top. If you turn to mainstream economics for answers, you find that as a “pure” science, it is somewhat sterile. To replace Marxism, we needed a complete science of society.

Here, in my worldview, there was something of a vacuum. I was seeking a replacement for Marxism but I needed something that was systemic and comparable to Marxism in explanatory power and internal integrity. I think it was this uneasiness that had been consuming me before I came across *Human Action*. At last my soul has found rest. A huge field for study and activity has opened.

SAPOV: Had you been acquainted with mainstream economics by that time?

KOURYAEV: You know, my relationship with the mainstream somehow has been rocky from the very beginning. Textbooks on economics began to be published in Russia in 1991, when the “Alphabet” Publishing House reprinted the 1961 edition of Samuelson’s textbook. This book had first been published in Russian in 1964. My first acquaintance with it puzzled me. Many questions were raised by the approach itself: the resource allocation under hypothetical, nonexistent, and impracticable conditions of perfect competition (all of which is admitted) is taken for the ideal of effectiveness.

Samuelson then compares some real situation with this supposed

ideal. If a deviation is observed, as is inevitable, the conclusion is that the market is inefficient and that the state must intervene to correct the so-called market failure. It later became clear to me that for the mainstream, there was not a single theory that did not end up as some sort of justification for state intervention. When I realized this, and living in a society where the state did everything and nothing, I simply had a feeling of bewilderment.

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In 1992, the publishing of such literature was put on the assembly line. In book after book, I found nothing new in essence there. That’s when I postponed a closer acquaintance with economics until more favorable times, and returned to the study of marketing and management. Besides, writing a dissertation took much of my time.

SAPOV: How significant had Marxism been in your intellectual development?

KOURYAEV: Marxism was a theory purporting to explain the whole life of society. As a compulsory part of Soviet educational curriculum, it was the only social theory accessible to students. When I was studying at the provincial technical university in Chelyabinsk, there was simply no alternative. The issues raised by Marxism were very interesting to me, yet my interest was only tangential because my engineering education did not commit me to the study of social sciences in any depth.

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Of course, I was fortunate that this was the period of *perestroika*, when taboos were slowly being broken. From 1987 to 1989, I studied political economy of socialism, reading all the leading periodicals as well as all books on economic reform and history of the U.S.S.R. covering the period from the 1920s through the 1970s. Until that time the truth had been hushed and distorted.

The new books were published under the guise of defending true Marxism, cleaning it up from distortions.

After this period, Marxism was simply rejected and forgotten, on grounds that it failed in practice. However, one question has remained: how many Russian academics could actually cite a theoretical refutation? The historical experience with socialism, as such, can neither prove nor disprove anything. Even now many are trying to “creatively” develop Marxism in new directions.

Just look at the social thinkers writing about what they see “beyond the limits of the economic society.” More often than not, the foundation of this new paradigm is the old Marxism in new forms. And it is not the antique variety of Marxist thought, but fashionable theories of postindustrial society which thrive in today’s Russia. That is why I was trying to find the theoretical refutation. And in the end I found it with Mises.

SAPOV: It’s incredible that there are so few who have really understood this point. It appears that you escaped two forms of mental stagnation: the stubborn, orthodox, old-fashioned Marxism-Leninism, and the “up-to-date” version of socialism that only alters the terminology of the old version.

KOURYAEV: Having no alternative some people simply continue clutching at obviously erroneous

Mises in Russian

Мизес Л. фон. Всеобщее вздорожание жизни в свете теории политической экономии. // Новые идеи в экономике. Вып. 4. Вздорожание жизни. 1914. С. 1–35. [“Die allgemeine Teuerung im Lichte der theoretischen Nationalökonomie,” *Archiv für Sozialwissenschaft und Sozialpolitik* (The general increase of prices in light of theoretical economics) 37 (1913): 557–77.]

Мизес Л. фон. Деньги и государство // Новые идеи в экономике. Вып. 6. Теория денег Кнаппа. СПб, 1914. [State and money, From *Theorie des Geldes und der Umlaufsmittel* (Theory of Money and Credit), Duncker und Humblot, 1912, Chap. 4.]

Мизес Л. фон. К классификации денежных теорий // Основные проблемы теории денег. Издательство Промбюро ВСНХ. (Promburo VSNKh Publisher) Петроград, 1922. [“On the classification of monetary theories,” Appendix A of *Theory of Money and Credit* (1917/1918), pp. 198–213.]

Мизес Л. фон. Бюрократия. Запланированный хаос. Антикапиталистическая ментальность. М.: Дело (Delo), 1993. [Bureaucracy. Planned chaos. Anti-capitalistic mentality. Translations by E. Zhuravskaya, V. Pinsker, V. Rodionov.]

Мизес Л. фон. Социализм. Экономический и социологический анализ. М.: Catallaxy, 1994. [Socialism. Translated by V. Pinsker.]

Mises in Russian, continued

Мизес Л. фон. О некоторых распространенных заблуждениях по поводу предмета и метода экономической науки. // THESIS, 1994, в. II, no. 4, pp. 205–12. [On some popular errors concerning the scope and method of economics. From *The Ultimate Foundations of Economic Science: An Essay on Method*. Chap. 5. Translated by A. Alexandrova.]

Мизес Л. фон. Человеческая деятельность. Трактат по экономической теории. М.: Экономика (Economica, Sotsium), 2000. [Human action. Translated by A. Kouryaev.]

Мизес Л. фон. Теория и история. Интерпретация социально-экономической эволюции. м.: юнити (Unity), 2001. 294 с. [Theory and history. Translated by A. Kouryaev.]

Мизес Л. фон. Либерализм. М.: Экономика, Социум (Economica, Sotsium), 2001. [Liberalism. Translated by A. Kouryaev.]

Мизес Л. фон. Роль доктрин в человеческой истории // Мизес Л. фон. Либерализм. М.: Экономика, Социум (Economica, Sotsium), 2001. [The role of doctrine in human history. Translated by A. Kouryaev.]

Мизес Л. фон. Идея свободы родилась на Западе // Мизес Л. фон. Либерализм. М.: Экономика, Социум (Economica, Sotsium), 2001. [The idea of liberty is western. Translated by V. Rodionov.]

Мизес Л. фон. Свобода и собственность // Мизес Л. фон. Либерализм. М.: Экономика, Социум (Economica, Sotsium), 2001. [Liberty and property. Translated by A. Kouryaev.]

theories. Perhaps it is more complicated for them than for me. They work in the area of social science and have to earn their living. But I had free choice. If I find something interesting, I can examine it with some independence of mind.

SAPOV: It seems to me that the economic doctrine of Marxism is secondary with respect to the political and anthropological one. Meanwhile, even the people who know nothing about Marx have heard that Marx is some sort of economist. It is Marxist constructions which lie at the foundation of so many political movements of our time, from antiglobalist protests to every variety of government intervention. It's true that, politically, Marx hasn't been taken seriously for some time, but the economic ideas of Marxism are still alive. What are the reasons for this?

KOURYAEV: The task performed by Marxism was to substantiate political slogans with a scientific veneer. Exploitation, the predetermined failure of capitalism, the inevitability of socialism, socialization of the means of production, the necessity of proletarian revolution—all of this is defended with the help of economic terminology. To bolster socialism was the whole purpose of the theory of surplus value, for example.

In truth, the much-heralded “specter of communism” very nearly ruined industrial civilization. Yet, I doubt that the contemporary

Left in the West any longer realizes this. Hardly anyone these days is directly acquainted with Marx's works, but he still has the reputation as a great economist. In this respect, Marxist thought is like “fiat money”: it is both money and anything but money. Marx is no longer taken seriously as an economist by economists, but his status as an economist continues to be the main source of the prestige of his ideas. For

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this reason, the myth that what he was doing constitutes “economics” has to be exposed.

SAPOV: Let us return to the book with the intriguing subtitle *A Treatise on Economics*. Its title was no less intriguing: *Human Action*. Having realized that it might contain answers to the questions that had consumed you,

you began reading it. What happened then?

KOURYAEV: I realized that my English was not good enough to allow for a thorough understanding, so I started translating it. I had long wanted to improve my English skills, so this was my opportunity to do so. So it cannot be said that I was necessarily intending to translate the entire book. I was pursuing other objectives. But spurred on by my interest in the topic, I kept going. I

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would turn the page, read, and translate, and so it went for months and months, until I reached the last page.

I admit that by the end, a disutility of labor began to set in. But I kept going because I so badly wanted to get this book out to the Russian-speaking public. My friends knew that I was translating something. But it was very difficult to explain to them what I

was translating. I just wanted them to read it.

The further I advanced in the text, the more I was astonished by the lucidity of mind and simplicity of exposition. After the conscientious attempts to force my way through the thicket of “Capital,” historical materialism, and dialectical logic of Marxism, I was so struck by the elegance of Mises’s thinking. For example, it turns out, according to Mises, that there is no necessity to engage in any “dialectical logic.” Plain human logic is enough.

There were, of course, terminology problems, and some of them had to be left unsettled until we got closer to the publishing event itself. This is not surprising. What is surprising is the very simplicity and self-evidence (after you have read it) of Mises’s logical constructions.

SAPOV: Your comments remind me of Hayek’s words in the preface for Mises’s *Socialism* (1920). Hayek says that during Mises’s Vienna seminar, specialists encountered a difficulty in coming to terms with “the simplicity of exposition.” In any case, Alexander, what happened after you had finished your translation?

KOURYAEV: I completed the translation on December 29, 1997. It had taken a full seven months (from May to December, minus October, when I was distracted with other business). Of course, it was a half-finished product, but I had enough to begin to

approach publishing houses. They first held the book for forty-five days and finally said no. At the same time, I was improving the text, particularly in the first two hundred pages. At some point, I decided to turn to the Moscow office of the Open Society Institute (funded by Georg Soros) in Budapest, Hungary, for financing.

SAPOV: Two years before, in 1995, I carried the English version of *Human Action* to some Russian publishing houses, told them who the author was, what sort of work it was. It never crossed my mind to approach the Open Society Institute. How did it happen that they agreed to support your undertaking?

KOURYAEV: At the first meeting, the coordinator of the “Translation Project” fund told me that because they believed that they had already backed enough literature on economic liberalism, support for my project would be unlikely. However, at the next meeting, she was suddenly optimistic and suggested that support was quite possible.

It turned out that at a conference of translators arranged by the fund, many people there were very concerned about the revival of Marxist thought among teachers at provincial universities. Knowing that Mises provided a definitive response, the committee livened up at the suggestion that a book by Mises be published. So, in June 1998 the fund accepted the translation manuscript for reviewing.

SAPOV: This was an important moment. What can you say about the review of the manuscript that followed?

KOURYAEV: The reviewer had the highest regard for the work. Later the head of the editorial department of that publishing house, which had agreed to publish the book, told me that she had not seen such positive reviews for a long time. The reviewer's remarks concerning translation helped to improve its quality significantly. However, the deadlines for the 1998 competition for funds had already passed. The next competition lay ahead, in spring 1999. It seemed that nothing could be done to help it. I had to wait.

SAPOV: The Institute partly financed the edition, but did not publish it. How were things going with the publisher?

KOURYAEV: The publishing of such a book does not hold the promise of great profit. Today in Russian publishing houses, the profit is gained from the additional print runs of the title. The title is considered to be successful if a run of six thousand copies is sold in three months. That is why the principal offering of the publishing houses that specialize in economic literature is textbooks.

At last the *Economica Publishing House*, the main economics publisher in Russia, agreed to publish the book. In the course of two years, this publishing house was my main ally. The motivating

power behind this project was E.V. Poliyevktova, head of the editorial department. The editing began in autumn 1999 and was completed in summer 2000. In September the book was printed. It went on sale in November 2000, and it sold very well.

SAPOV: What is the subject of your doctoral thesis? I recall that it investigates the regulation of taxis. Was there any relationship between the subject and writing of your dissertation, on the one hand, and your discovery of economic theory in the *Dom Knigi*, on the other hand? Which came first?

KOURYAEV: The subject of my thesis was "The Regulation of Motor Carriers on the Regional Level." The role of the Russian Transport Inspection was considered there. I examined what functions, if any, should fall within its sphere of regulatory power. Already in the very end of this work, shortly before the pre-defense, the section on the results of taxi regulation in the U.S.A. in 1930–1970 had been written.

In the U.S., regulation is directed toward preventing competition between carriers and between various modes of transportation. Regulation is a means to ensure each mode of transportation has its "place in the sun." The main principle of the regulation consisted in the following: to avoid situations in which some mode of transportation or transport company could take actions that would menace the existence of other modes of transportation or

companies. Interbranch and intraindustry competition was not only discouraged but also limited in every possible way.

As a matter of fact, the limitation of granting licenses (for instance, in Texas, after introduction of licensing through its forty-five year history, not a single license was issued) turns the holders of

THE PUBLISHING OF SUCH A BOOK DOES NOT HOLD THE PROMISE OF GREAT PROFIT.

licenses into franchising monopolies. Licenses are converted into a commodity and cost from several hundred thousand to several million dollars. Banks have even accepted them as high-grade collateral. Generally speaking, it is a classical case of the government-sponsored-cartel practice of division of markets and fixing of monopolistic prices.

You know, under free-market conditions, the high level of competition in transportation is guaranteed because of the low entry barrier. One car is enough!

But in the 1930s, in the middle of the Great Depression, market competition was declared to be “cutthroat” and regulation was introduced. By the way, it was done at the request of large motor carriers.

Now, concerning the connection between the dissertation and economic theory: I used conceptions contained in the textbooks but I didn’t particularly like to do so

MY INTERESTS HAVE BEEN DIRECTED TOWARD FURTHER ACQUAINTANCE WITH THE AUSTRIAN SCHOOL.

because the theory in itself did not suit me. If standard economics were all that the profession had to offer, my romance with the science would never have taken place. That is why I bought the works of an exceptionally theoretical nature in the Dom Knigi. I bought them in the hope that I could read them later. So far I have only read *Competition and Entrepreneurship* by Kirzner.

SAPOV: How has familiarity with Mises changed your work?

KOURYAEV: It has sharply changed my priorities. Marketing and management are already in the background of my attention. I can hardly learn something new and interesting now, and I have no particular desire to do it. Since the publication of the book, all my interests have been directed toward further acquaintance with the Austrian School.

SAPOV: As far as I understand it, having translated *Human Action*, you did not stop there.

KOURYAEV: In summer 1998, I translated *Liberalism* first, and then *Theory and History* by Mises. It turns out that several years before, *Liberalism* already had been translated into Russian and even published in Moscow. But I didn’t know that at the time. It was published in 1995. In an act of folly, the publisher only printed five hundred copies. Unfortunately this edition exerted no influence upon the intellectual and ideological climate in Russia. It was absolutely impossible to get and read that book. When later I got in touch with the publisher, it turned out that even he did not have a copy.

SAPOV: *Human Action* is a theoretical book with a great deal of practical application. Every section of each chapter relates to the real world, to today’s issues. Mises draws conclusions of extraordinary intellectual power. This is in contrast to the mumbling of the Marxists and, in the last 15 years, the pretentious style of the trend which I call “creation of modern

CALENDAR

BOOM, BUST, AND THE FUTURE
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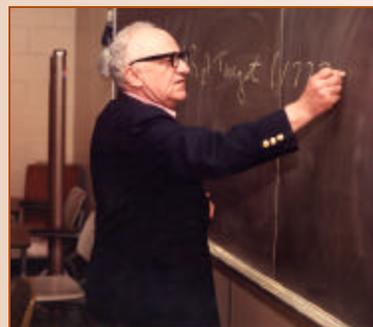
HISTORY OF LIBERTY SEMINAR
May 26–31, 2002

HUMAN ACTION CONFERENCE
June 2–8, 2002

ROTHBARD GRADUATE SEMINAR:
THE ETHICS OF LIBERTY
July 28–August 2, 2002

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philosopher and sociologist Jean Beliberda” [Russian equivalent of “rubbish”].

KOURYAEV: I agree. What keeps astonishing me is Mises’s ability to draw nontrivial conclusions from his theoretical apparatus. For instance, the principle of methodological dualism is rightly said to be the epistemological principle of the quality research: “Reason and experience show us two separate realms: the external world of physical, chemical, and physiological phenomena and the internal world of thought, feeling, valuation, and purposeful action. No bridge connects—as far as we can see today—these two spheres. Identical external events result sometimes in different human responses, and different external events produce sometimes the same human response. We do not know why” (*Human Action*, p. 18).

But Mises doesn’t stop there. He draws a political conclusion from this academic epistemological argument. Writing in *Ultimate Foundation of Economic Science*, he extends the point: “We do not even have any surmise how such knowledge could be acquired. More than that, we realize that if such knowledge were attainable for men, and if, consequently, the formation of ideas and thereby the will could be manipulated in the way machines are operated by the engineer, human conditions would be essentially altered. There would yawn a wide gulf between those who manipulate other people’s ideas and will and

those whose ideas and will are manipulated by others” (p. 58). And here he again reverts to epistemology: “It is precisely the lack of such knowledge that generates the fundamental difference between the natural sciences and the sciences of human action.” This is brilliant and biting exposition.

SAPOV: You can think of many who fit Mises’s description?

KOURYAEV: Yes, and it is so irritating to see so many self-styled applicants to the role of dictator, the so-called “humanitarian technologists.” Formerly they were termed “social engineers,” and shoveled out Agit-prop [short for Agitation and Propaganda Department of the Central Committee of the Communist Party of the Soviet Union]. Now their status has grown, and their services are in demand. But the method has not changed: banal brainwashing.

As a matter of fact, what they propose is violence. They have not been taught anything else. The analogy with the phenomenon of physical pain inevitably arises. In general, pain is a signal of danger, a mechanism of an organism’s self-preservation. But how do some make use of other people feeling pain? True, recently their methods seem to fail more frequently. And they do not know why. Thank God, they don’t know! Long live methodological dualism!

SAPOV: What do you expect for the future of *Human Action* in Russia?

KOURYAEV: We must remember that Mises’s book saved economic theory for all mankind. At some point while translating, I realized with horror that had it not been for Mises, this tradition would have been lost forever. My hope is that the Russian edition will change economic education in Russia. It might stand a greater chance of doing that here than in the West.

MISES DRAWS CONCLUSIONS OF EXTRAORDINARY INTELLECTUAL POWER, IN CONTRAST TO THE MUMBLING OF THE MARXISTS.

In Russia, the neoclassical mainstream has not yet taken root. There is certainly a great number of mainstream textbooks available, but their impact has been small. If the Austrian School is properly represented in classroom, it will, in my opinion, gain the upper hand in the competition of ideas. *Human Action*, I hope, is the first brick in the wall of a mighty edifice. ■■■■■ AEN

THE FOLLOWING INTERVIEW
WITH YURI N. MALTSEV WAS
CONDUCTED BY THE AEN.

AEN: What do you expect for the future of *Human Action* in the Russian edition?

MALTSEV: I am very optimistic about this project, and not only this one. Russian websites have

IT DOESN'T MATTER WHAT YOU CALL THE SOCIALIST SYSTEM, IT WILL NOT WORK.

been among the most vigorous in publishing Austrian materials. The extent of the material on them rivals even the encyclopedic reach of the Mises Institute site. Clearly, many among a new generation of Russian intellectuals are fired up for the Misesian tradition as the only clear alternative to socialism. This was certainly

not the case when I left Moscow before the fall of the Soviet Union.

I can recall that in 1989 and 1990, after I had been in the United States only one year, we were all very optimistic about the prospects for reform in the Soviet Union and its former client states. We had all assumed that the case for freedom would be overwhelmingly obvious and that political institutions would respond. We assumed that freedom would take the place of socialism by default.

What we had not counted on was the influence of Western interventionists in academia and international institutions such as the World Bank and the IMF. Instead of pushing for radical reforms, they arrived in the formerly socialist countries with all sorts of plans for managed reforms. Among the other crazy ideas were that these countries should have floating prices in the absence of private property.

AEN: Market socialism, in other words.

MALTSEV: Yes, precisely the theory that Mises had smashed in *Human Action*. He showed that rational economy was impossible without private property in the means of production. It doesn't matter what you call the system, it will not work. But the lesson didn't stick.

All throughout the early 1990s, the Mises Institute was one of the

only voices in the world to explain that what was taking place was not true market reform. We warned that when these phony reforms failed, capitalism would wrongly take the blame. Everyone else was heralding the "market reforms" of the Gorbachev and Yeltsin regimes.

Tragically, these formerly socialist countries went through a period of market socialism that produced a complete disaster throughout the 1990s. We hadn't expected this early on because we failed to consider that there was no intellectual foundation for free markets in these countries. The number of consistent defenders of liberty were very few. We can have hope now that this is beginning to be rectified.

AEN: Does the Putin regime give any reason for optimism?

MALTSEV: His economic policies are vastly better than those of his predecessors. He is working to privatize land and lower taxes. These are all good steps, and I should add that they are being taken under the influence of Austrians in his government. One of them, perhaps the most influential one, is a student of the work of the Mises Institute. His name is Yuri Kuznetsov, and his work has even been published in the *Review of Austrian Economics* (vol. 10, no. 2 [1994]).

But we should also remember that it is a mistake to put faith in politicians. They always and everywhere disappoint. The

intellectual transformation of Russia is a much greater priority than political action. In the case of Putin, too, he may find that his domestic agenda will always be at odds with his desire to maintain the Russian Empire in its hegemonic relations with the Eastern provinces.

AEN: Do you think that Putin's support for the U.S. war in Afghanistan is a *quid pro quo* for allowing Russia to continue its war against Chechnya?

MALTSEV: No question that this is the underlying dynamic. Of course Russia knows something about what a disaster it is to get involved in Afghanistan. I recall that in the days after the initial invasion in 1979, I expressed some skepticism about this invasion. I pointed out that the British had very little success there, and my crack nearly cost me my job. Just like the Americans today, the Russians believed that their mission in this country was completely unique in history and therefore destined to succeed.

In fact, the Soviet invasion did not succeed. It was enormously costly for Russia and Afghanistan. It was certainly not the final blow to Soviet socialism, but a very costly one.

AEN: You don't often hear about the role of this war in pushing the Soviet Union over the edge.

MALTSEV: It was decisive because the war was so hated. Recall that the Bolshevik Revolution began

after a long period of war, when young men were being drafted and sent to their deaths in World War I. The primary appeal of Lenin was that he was passionately against the war. He grafted Marxist ideas onto his strategic political program to explain how it is that Russia was killing off the workers and peasants in a pointless military campaign. It is indeed ironic that the end of Bolshevism was inspired by very similar circumstances.

AEN: In those days, the United States considered Osama bin Laden to be a friend and a freedom fighter.

MALTSEV: Just because history turned against the United States is no reason to forget the sacrifices made by the anti-Soviet freedom fighters. They played an important role in bringing down the Soviet regime. As for Osama, he got his start in those years, opening orphanages for surviving children of this war. These children were raised without parents, so they had no roots or social structure to fall back on. They were completely vulnerable to indoctrination in an extreme version of the Islamic faith.

Later, however, those people rose to power and became the Taliban, which was a creature of the Soviet war and the war against the Soviet war. The Taliban freely murdered anyone who dissented from their policies. The U.S. response, however, was just as naive: support the Northern Alliance of diverse groups that hate the ruling Pushtan

ethnic group. This much is guaranteed: the Northern Alliance in power will create a disaster that rivals all the previous disasters.

AEN: Sounds like we have a good example of Mises's rule about interventionism, that it often creates the political conditions that inspire more intervention.

MALTSEV: Certainly. And this cycle has gone on so long that there is no group in Afghanistan that would make a suitable government. This is something that

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the U.S. has yet to come to terms with, whether in Iraq or Afghanistan or anywhere else in the Muslim world. These regimes are tyrannical, to be sure, but it is not correct to say that they rule without the support of the people.

The infrastructure for liberalism in these countries has been completely smashed as a consequence of successive outside interventions, and the cycle continues to grow ever worse with each.

My own opinion is that the U.S. bombing campaign against Afghanistan began, like most wars, as an attempt to distract public opinion. The U.S. government saw September 11 as a good opportunity for a new war, nation

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building, social and ethnic engineering in the old tradition of the warfare-welfare state so well exposed by Murray N. Rothbard. In fact, there is no evidence at all that the Taliban had anything at all to do with the attacks of September 11. As Paul Craig Roberts points out, the hijackers were living in the United States and received their training right here at home.

AEN: Going back to Russia, can you recall when Samuelson's textbook was published?

MALTSEV: I do, and it was not generally available. It was only accessible through scientific libraries and only for people who worked in government. It had an introduction by Nikolai Inozemtsev. He never attacked Samuelson's argument. He simply hurled abusive language at him in the style of Lenin and Stalin, calling him an apologist for capitalist pigs and saying that his head was full of rubbish and the like.

None of this was true, for as Alexander Kouryaev points out, Samuelson was actually presenting a rationale for central planning. He shared more in common with the Soviet economists at the time than Inozemtsev knew. We also know that as late as the 1989 edition, this book said: "The Soviet economy is proof that, contrary to what many skeptics had earlier believed, a socialist command economy can function and even thrive." The Soviets should have been happy about that!

AEN: Your encounter with the Austrian School took a circuitous route.

MALTSEV: I was studying the history of economic thought in graduate school, and I can well recall the page that condemned Ludwig von Mises and F.A. Hayek as the most reactionary and bitter opponents of socialism. That of course piques one's

curiosity, but their books were not available. I finally got hold of a copy of *The Road to Serfdom* that had been typed up on a typewriter. The manuscript had circulated underground.

The libraries also had some early work of the Austrians, left over from the days before the revolution. I suppose the Soviets never really bothered to clean out the old libraries. There I read Menger and Böhm-Bawerk and their contemporaries. It was quite a revelation. I would have loved to have read Mises in those days, but it was unavailable. I am just so amazed to think that his work is now so freely available.

AEN: Of course his work is freely available in the United States too.

MALTSEV: It's true that availability alone doesn't do the trick. We are in a continual struggle to educate the next generation, and we are a long way off from seeing the political consequences of a revolution in ideas. In the world of ideas and public affairs, we must go about our work without expecting immediate success. Our efforts may not even bear fruit until after we are gone from the scene.

At the same time, no one expected Soviet socialism to fall as quickly and dramatically as it did. The lesson here is that, as Mises constantly emphasized, trends can change. Working to change the ideological structure of all countries is the only path to permanent change. AEN

About the *Austrian Economics Newsletter*

The *Austrian Economics Newsletter* began publishing in the Fall of 1977, under the auspices of the Center for Libertarian Studies, which was then located in New York City. The writers and editors were part of a small but growing contingent of graduate students in economics who had been influenced by Ludwig von Mises's New York seminar and the writings and personal example of Mises's students Murray N. Rothbard and Israel M. Kirzner, as well as Ludwig Lachmann. Their goal was to reinvigorate Austrian theory in a new generation as a means of combating mainstream trends in economic thought.

But for the Nobel Prize given to F.A. Hayek in 1974, academia then considered Austrian economics to be a closed chapter in the history of thought, supplanted by Keynesianism and the neo-classical synthesis. The purpose of the *AEN* was to provide a forum for Austrian students and serve as a communication tool for the new movement. Among its most effective offerings was the interview, which provided students an inside look into the thinking, drawn out in an informal setting, of the best Austrian theorists.

At the request of the Center for Libertarian Studies, the Mises Institute assumed responsibility for the publication in 1984 and nurtured it to become the most closely read periodical in the world pertaining exclusively to the Austrian School. Two years later, Murray N. Rothbard founded the *Review of Austrian Economics* (later succeeded by the *Quarterly Journal of Austrian Economics*) to provide an outlet for scholarly articles, thereby relieving the *AEN* of this responsibility. The *AEN* began to emphasize reviews, topical pieces, and, most of all, the extended interview as an effective means of highlighting the newest contributions of Austrians to the literature. Today, interview subjects are now chosen from a variety of disciplines to reflect the full influence of the Austrian tradition.

Over the years, the *AEN* has interviewed a variety of scholars, including the following:

Dominick T. Armentano	Randall G. Holcombe	Michael Prowse
Walter Block	Hans-Hermann Hoppe	George Reisman
James Buchanan	Jeffrey M. Herbener	Murray N. Rothbard
Paul Cantor	George Koether	Joseph T. Salerno
Jesús Huerta de Soto	Israel M. Kirzner	Pascal Salin
Thomas J. DiLorenzo	Peter G. Klein	Hans F. Sennholz
Gene Epstein	Alexander Kouryaev	G.L.S. Shackle
Roger W. Garrison	Ludwig M. Lachmann	Frank Shostak
James Grant	Fritz Machlup	Karl Socher
Bettina Bien Greaves	Yuri N. Maltsev	Mark Thornton
Gottfried von Haberler	Roberta Modugno	Richard K. Vedder
Henry Hazlitt	Hiroyuki Okon	Leland B. Yeager

Complete archives of these interviews are available at <http://www.mises.org/journals.asp>.

With the expansion and redesign of the *AEN* that began with Volume 21, the *AEN* has sought to put on display the energy, creativity, and productivity of today's Austrian thinkers, who work in many fields to bring the insights of the tradition to bear on new issues of the day. It is a sign of the health and vigor of the Austrian movement that the list of thinkers slated for interview in the future grows ever longer.

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