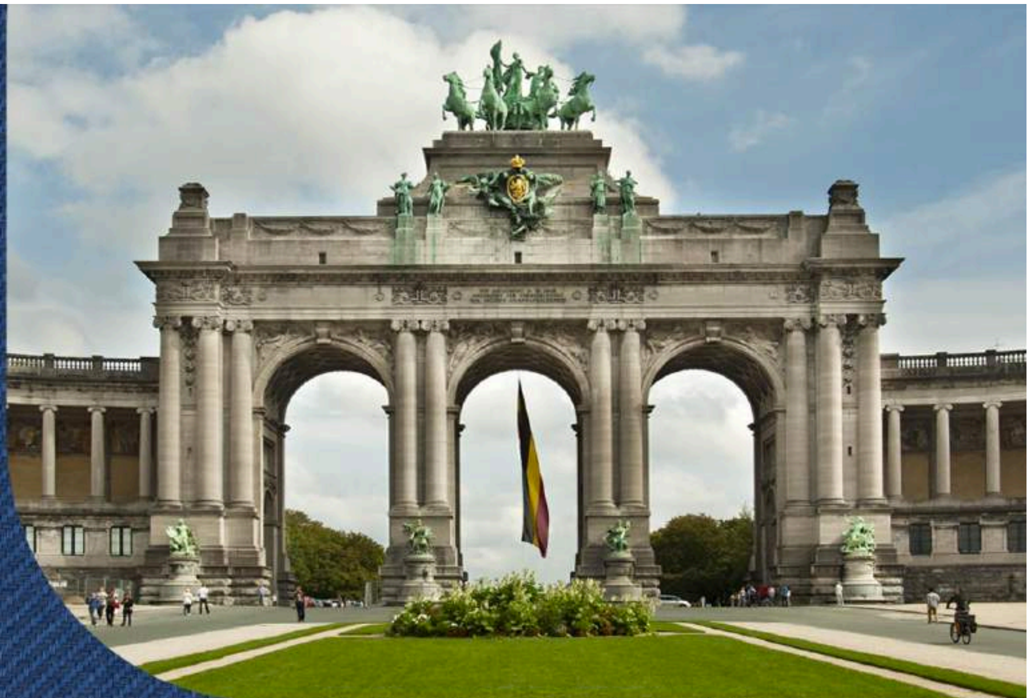
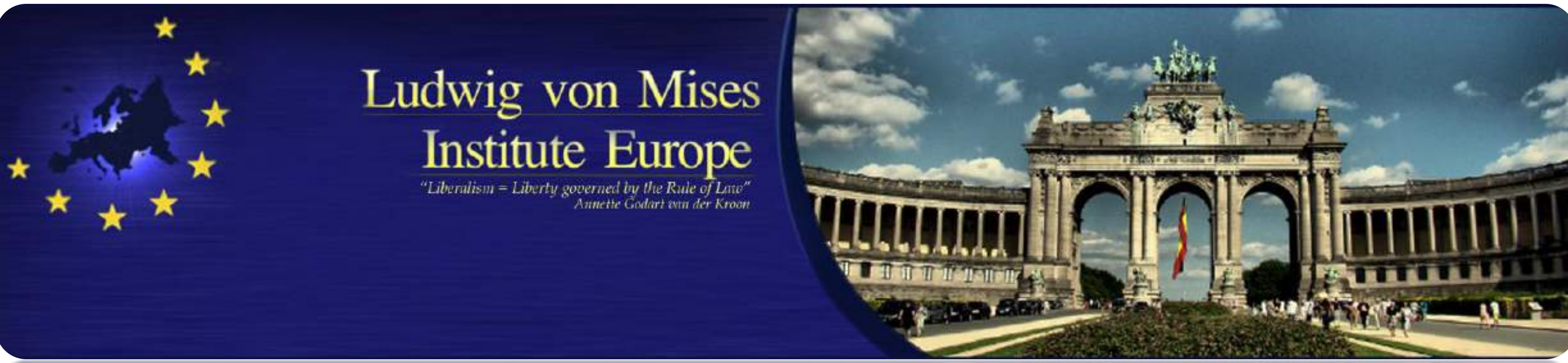


Ludwig von Mises Institute Europe

Annual Report 2019



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1. Presidential Address

The year 2019 was marked by the European elections. Because of that, no events were organised by the think-tanks and other NGO's between May 2019 and September 2019.

The outcome was somehow a surprise: the EPP-ED Group were the biggest group, which had as result that they could deliver the *Spitzenkandidat:* Manfred Weber, leader of the CSU, backed by Angela Merkel.

Renew Europe-former ALDE- became the third-biggest group again, after they had been on the fourth position from 2014 till 2019.

The Greens won significantly, but also the Eurosceptics. However, the most surprising result was the election of Ursula von der Leijen as President of the European Commission. Nobody counted on that nomination and it was the result of political back-door politics. She was not even in the race! She might do a good job, but her nomination was not the result of a democratic process.

Nevertheless, the Institute could organise several very interesting events in 2019.

First of all, on Artificial Intelligence both with Max Rangeley, Editor and Manager, The Cobden Centre and member of the Advisory Board of LVMI Europe. He organised a highly interesting event on this topic in the European Parliament, on February 20, 2019.

A Mises Circle with Max Rangeley was announced on the same topic later in 2019, but it turned out that it could only take place at the beginning of 2020.

Faithfull to our mission we also organised an event together with the European Entrepreneurs on "Cross Border Enterprises" in April 10, 2019. A considerable amount of high-level speakers stressed the importance of Digital Cross Border Traffic, especially for SME's.

The importance of digitalization, so much emphasised during that conference, has proved to be very true during the Corona crisis.

The General Assembly of 2019 turned out to be interesting because of the changes made by then. Not only the official address of the Institute was changed, but also a new Treasurer was nominated as well as a Director Financial Planning.

The official address of LVMI Europe is now situated in Rue d' Arlon 20, 1050 Brussels, the address of Holland House.

October 14, 2019 the inauguration of the Alumni in Holland House took place. Several former interns attended the meeting, followed by a reception and a dinner.

The event on "The European Banking Union and the future financial situation in Europe" took place on November 18th, also in Holland House. This was a fascinating debate, especially in the light of the future verdict of the German Bundesverfassungsgericht on May 5, 2020, where the ECB (European Central Bank) was criticized for its spend drift and uncontrolled buying of bonds, but also the ECJ (European Court of Justice) by admitting that!

Reviews of the book "Banking and Monetary Policy from the Perspective of Austrian Economics", published in 2018

We are especially proud of the praising reviews of our book on "Banking and Monetary Policy".

1) The first review was by Professor Joachim Starbatty, former MEP that has been published in FAZ MONTAG, 15.07.2019 F.A.Z. - WIRTSCHAFT
"Hayek oder Keynes"? WIRTSCHAFTSBÜCHER
Beiträge in der Tradition der Österreichischen Schule

2) Review of *Banking and Monetary Policy from the Perspective of Austrian Economics*, Annette Godart-van der Kroon and Patrik Vonlanthen, eds., Cham, Switzerland: Springer, 2018, VII + 280 pp. **by Joseph T. Salerno**

Published in the "Quarterly Journal of Austrian Economic" Volume 23 | No. 1 | 115–123 | Spring 2020 www.qjae.org

New co-operations

We have added some co-operations to our already existing big list:

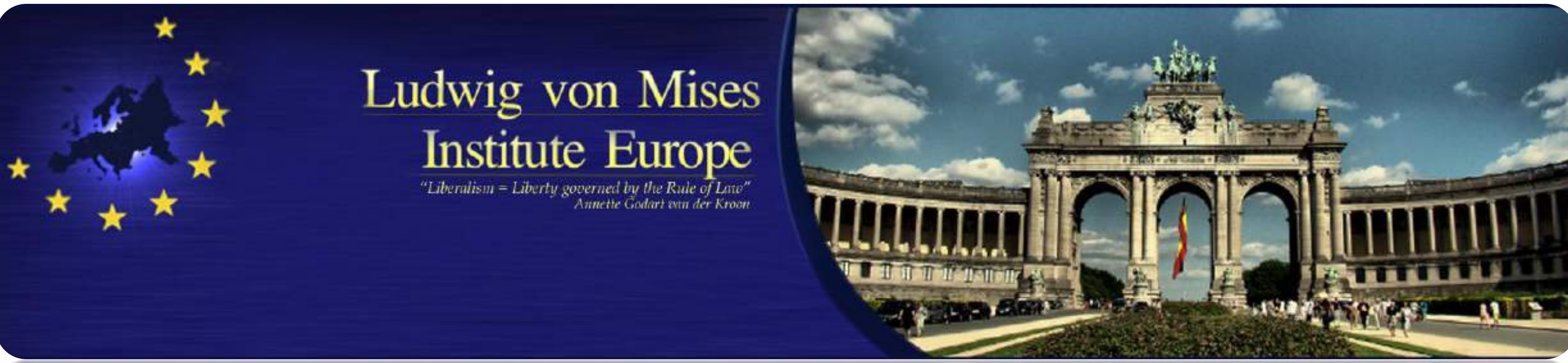
The Swiss Mises Institute 2016-2018,

the Cobden Centre (from 2018 on) and

GoldMoneyFoundation who sponsored the event that took place on November 18, 2019.

Let us continue to spread our Liberal ideas in Europe in the following years!
Enjoy the reading. Yours sincerely,

Annette Godart-van der Kroon,
President of Ludwig von Mises Institute - Europe



2. About the Institute

2.1 Aim and who we are

The Ludwig von Mises Institute-Europe was officially established on October 12th, 2002 as a nonpartisan think-tank fostering an open and free society. It bears the name of Ludwig von Mises, one of the most prominent liberal economists of the whole XX century, and one of the main representatives of the Austrian School of Economics.

The Ludwig von Mises Institute-Europe primarily **aims** at:

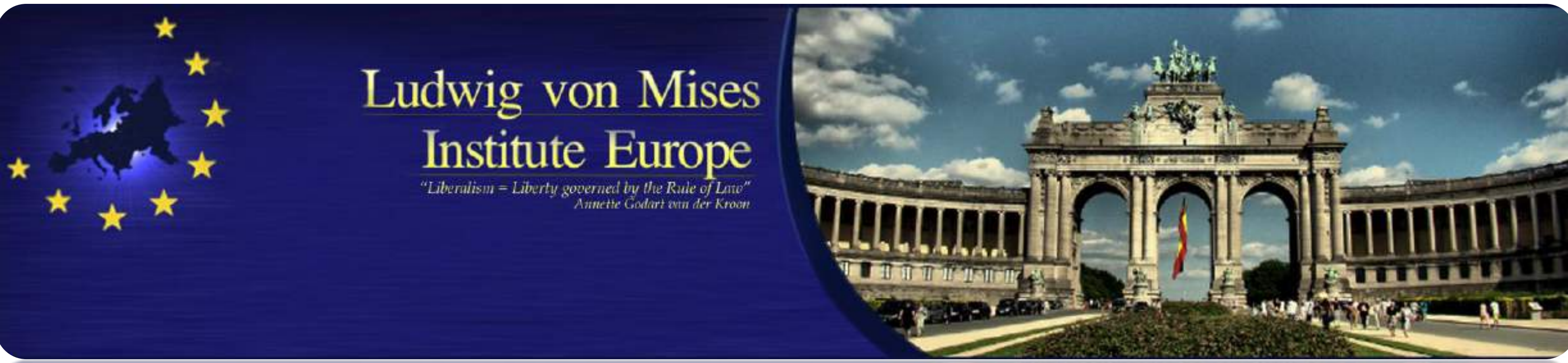
→ **Exchanging and promoting** the principal ideas and merits of Classical Liberalism with a particular focus on the ideas of the Austrian School of Economics;

→ **Acting** as an interface between top academics, senior business leaders, respected media commentators and leading politicians across the EU and in Brussels;

→ **Teaching** young professionals and students from all over the world about classical liberalism in addition to the workings of the European Union;

→ **Connecting** world-wide liberals and organizations at national and international levels.

Since its foundation, the LVMI-Europe has successfully organized a variety of conferences, symposia, discussions, targeted dinner debates and lunch debates, discussing topics such as the role of the EU, Knowledge & Innovation, Transatlantic Relations, Tax Competition, better Regulation, Islam and the EU and the FTT.



The Ludwig Von Mises Institute - Europe is dedicated to bridging the gap between believers in the free market across artificial boundaries that often divide academic, business, and political circles.

Members include former Prime Ministers, MEPs, commissioners, key politicians, senior academics, business leaders and prominent journalists.

The Ludwig Von Mises Institute - Europe has as the sole objective to create prosperity for every individual, while initiating new and unaccustomed ways of analysis and debate in order to ensure Europe's future prosperity and security in the global village.

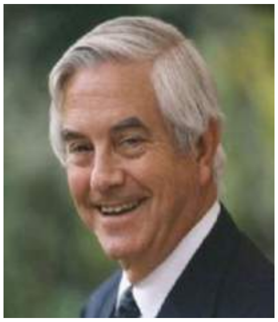
2.2 Educational Programme

Internships at the LVMI – Europe are not only for European students, but also for students from **all over the world**!

Interning at the LVMI – Europe equips students with the essential skills needed in a competitive European Union. Such skills include data, research, website management and event coordination in addition to writing reports for the organization. Partnerships with the Universities of Leiden, Bologna, Cagliari, Lille, Tampere and Brussels (VUB/Vesalius) enable both student engagement and education about legislative processes, policies, and improved knowledge about classical liberalism.

2.3 Patrons and honorary members

High Patrons



Fritz Bolkestein: former EU Commissioner

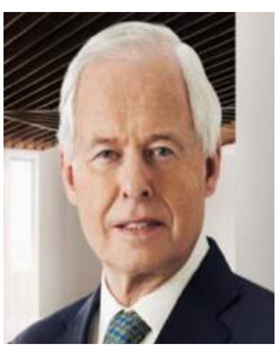
Herman De Croo: ex Minister of State and Honorary Speaker of the House of Representatives

Mart Laar: former Prime Minister of Estonia

Alexander Graff Lambsdorff: Member of the German Bundestag and Vice-Chairman of the FDP.

Alexander D.A. Macmillian: 2nd Earl of Stockton and Chairman of Macmillan Publishers

Honorary Members



H.S.H Prince Philip of Liechtenstein: Chairman LGT Group Vaduz

Dr. Hanns-Martin Bachmann, former Head of the Representation of Hessen to the EU

2.4 The Boards

Board of Directors

President: Annette Godart - van der Kroon, LLM, Belgium

Secretary: Philip Close, Orange, Belgium

Treasurer: Nuno Lebreiro, MA and MPhil, University of Leuven, Belgium

Director Financial Planning: Filip Smeets, Area Manager Seris Security, Belgium

Ms. Ulrike Haug, Director Sempre Avanti, Germany

Prof. Dr. Jesús Huerta de Soto, University Rey Juan Carlos, Spain

Prof. Dr. Marc Cools, University of Ghent, Free University of Brussels, Belgium

Patrick Meinhardt, Member of the Federal Executive Board, Head of Politics, BVMW (Bundesverband mittelständische Wirtschaft), Germany

Advisory Board

Prof. Dr. Hardy Bouillon, Professor of Philosophy and Economics at the Swiss Management Centre University

Dr. Syed Kamall, MEP and Chairman of the ECR group

Mr. Luis Teixeira da Costa, Former Head of Unit - Transport Policy, General Secretariat of the Council DG E II A

Max Rangeley editor and manager of the Cobden Centre, UK

2.5 Our Past, Present and Future Partners

The Ludwig von Mises Institute-Europe has co-operated and is co-operating with the following Institutions:

University of Leuven, Belgium, (2002)

Institute for Economic Growth, (2003)

Egmont Institute (former IRRI-KIIB), (2004)

SME Union, in cooperation with EuroCommerce, European Enterprise Institute, Konrad Adenauer Stiftung, SME Global and Loyens, (2005)

Microsoft, (2005 and 2012)

Stockholm Networks, (2006)

EU-Russia Centre, (2007)

Hayek Institute, Belgium (2007-2008)

Turgot Institute, France (2007-2009)

Friedrich-Naumann-Stiftung << Für die Freiheit>> (2003 - 2013)

University of Bologna, Italy (2006 -)

University of Leiden, The Netherlands (2008 -)

JTI, (2008)

Novartis, (2008, 2010)

University of Cagliari, Italy (2009)

University of Tampere, Finland (2009 – 2011)

The Institute for Economic Studies, the Foundation for Human Education, and the Mises Youth Club, (2009)

Itinera, (2010)

Hayek Institute Vienna, (2010)

Taxpayers Association Europe (2008, 2010)

Schuman Associates (2010)

The University of Lille France, (2011)

Vesalius College (VUB), (2011 -)

The Institute for Urban History for East Central Europe + The Lviv Regional Institute of Public Administration Ukraine, (2011, 2013)

Instytut Misesa, Poland (2012 -)

UNDP, Lithuania (2012 -)

UBI, United Business Institute (2012 -2014)

GoldMoney Foundation, (2012, 2019)

New Direction, (2014)

EPICENTER, (2015)

YES, (2015)

BVMW, Bundesverband Mittelständische Wirtschaft (2015 - 2019)

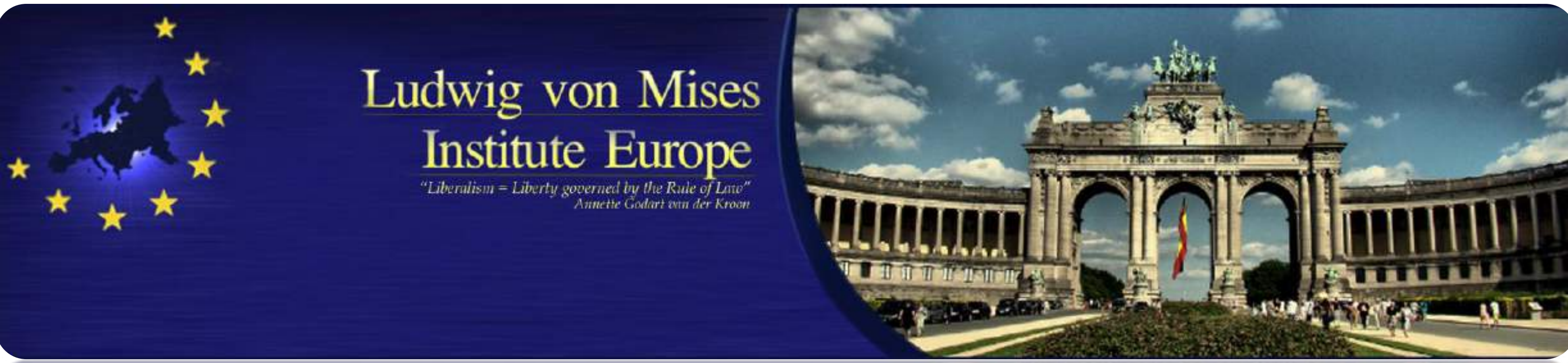
Austrian Economic Center (2016 , 2017, 2018-2020)

Mitsubishi, (2015 - 2018)

Swiss Mises Institute (2016-2018)

Open Europe, (2016 – 2017)

Cobden Center (2018-)



2.6 Ludwig von Mises Institutes in Europe and Beyond

Ludwig von Mises Institute Barcelona

Ludwig von Mises Institute Brazil

Ludwig von Mises Institute Czech Republic

Ludwig von Mises Institute Estonia

Ludwig von Mises Institute Finland

Ludwig von Mises Institute Italy

Ludwig von Mises Institute Poland

Ludwig von Mises Institute Portugal

Ludwig von Mises Institute Romania

Ludwig von Mises Institute Russia

Ludwig von Mises Institute Switzerland

Ludwig von Mises Institute Turkey

Ludwig von Mises Institute Ukraine

3. Events organized by the Ludwig von Mises Institute- Europe

3.1 Artificial Intelligence: Discover AI Like Never Before

Organised by: Max Rangeley, Manager of The Cobden Centre think tank and member of the advisory board of the LVMI-Europe.
Date: 20th February 2019
Venue: The European Parliament
Hosted by Daniel Hannan, MEP

Speakers:
John Shawe-Taylor, Chairholder of UNESCO Chair on Artificial Intelligence, Professor at University College London.

Riccardo Masucci, Global Director of Privacy Policy at Intel.

Nobuhisa Nishigata, AI Policy Analyst at the OECD.

Christian Ebeke, Deputy Resident Representative to the European Union at IMF.

Max Rangeley, Manager of The Cobden Centre think tank.

Luca Bertoletti, European Affairs Manager at Consumer Choice Centre.

Daniel Hannan took the floor, and introduced **Mr. Rangeley**, who was one of the first people to understand the power of blockchain. Mr. Rangeley affirmed that Artificial Intelligence has the potential to be the most important general-purpose technology and called it the next "*new evolution*".

John Shawe-Taylor demonstrated the advantages AI brings, its dangers, as well as the costs and benefits of the regulations which would limit these dangers.

AI has the potential to transform the way we act and teach, offer better healthcare, reduce misunderstandings. In other words, AI is the "*next phase of evolution*", for we can have access to new tools through AI. Of course, there are numerous concerns about the development of AI and its potential power. For example, it may cost a lot of people their jobs, remove the human element in decision-making processes, intrude into people's privacy, use the collected data to manipulate popular and political opinions, and AI is being militarized. Regarding these concerns, Professor Shawe-Taylor stated that the manipulation of public opinion is nothing new considering that advertising has been around for years, and the only difference is that AI is just more efficient in its actions.

Next, he introduced the subsequent regulations that would address these concerns: reduce the ability of AI to get access to personal information without consent (GDPR), and reduce the ability of AI to influence opinions in a biased fashion by using objective scrutiny and empower citizens to make informed choices. These regulations must be very carefully formulated, otherwise there could be risks like limiting free speech, governmental control over citizens and putting EU companies at a disadvantage.

Lastly, Mr. Shawe-Taylor highlighted that the development of Artificial Intelligence should be encouraged, as it has the potential, if well implemented, to improve the quality of life of people across the globe as well as even create new jobs.

Nobuhisa Nishigata, an AI Policy Analyst at the OECD, followed, and spoke about AI's impact and reach in society and policy issues. He started by listing the objectives for AI:

I. productivity – AI should be diffused among SMEs, as it would have a great impact on scientific discovery and technology funding;
II. skills and jobs – despite the fear of human labour replacement, AI expands the potential for lifelong learning and training by creating the need for skills to benefit from or complement it;
III. trust – safety, security, accountability, responsibility

To reach these objectives, one must first increase research capability by creating research institutes as well as increasing the number of researchers and engineers. Next, it is important to create an early demand for AI as well as identifying strategic focus areas, including government use. Thirdly, we must reinforce a digital ecosystem, create AI-related clusters, and provide support for SMEs. Following this, one must foster private investment and competition while providing industrial roadmaps, testing environments, and regulatory reforms. Finally, he argued that we must consolidate policy coordinating factors.

He also presented AIGO, the AI expert group at the OECD, and whose missions is to scope principles and foster trust in and adoption of AI. This group advocated for the following 5 principles of AI:

5 principles for responsible stewardship of trustworthy AI:

- inclusive and sustainable growth and well-being,
- human-centred values and fairness,
- transparency and reasoning,
- robustness and safety,
- accountability

In order to maintain and respect these principles, AIGO outlined the subsequent five recommendations for AI policies: investing in responsible AI research and development, fostering an enabling digital ecosystem for trustworthy AI, providing an agile and controlled policy environment for AI, as well as building human capacity and preparing for job transition, international cooperation for trustworthy AI.

Christian Ebeke was the next speaker and he discussed the industry and market for AI. He also discussed the digital gap, not only between the EU and the US, but within the EU as well. Only 4 European companies are among the top AI start-ups, and due to competition having a negative impact on start-ups, disruptions in the EU market for AI occur. This has significant effects on economic situations, thereby affecting people's likelihood of believing fake news and the way they vote.

He then explained how we can "*fight fire with fire*", as in using AI to improve AI-centred policies. Considering that Europe is aging, combined with the fact that the gap in AI industry as well as globalization forces are reaching a peak in the near future, the question of AI’s impact on macroeconomics arises. There are 5000 vacancies in the ICT field annually, but only one competent graduate each year. Moreover, only 11% of the global venture capital is in Europe, the rest being distributed between the US and China. Thus, we need to make sure people seize the opportunities created by AI.

Max Rangeley discussed road-mapping AI for policymaking. He stressed that economic instability and the fact that many elections are determined by a relatively small number of voters are the main priority. He continued by saying that military road mapping has proved to be the most effective form of mapping so far. In this instance, John Launchbury introduced a very interesting theory dubbed the "*3 waves of AI*" with the first wave as the simplest one, such as when the computer beats a person at chess. The second one is machine learning and the third one is machine deductive reasoning. He then briefly presented economic history approaches to road mapping, asking, however, whether they are usable in the case of technological development.

Lastly, he highlighted how radical economic change brings political change, and how people need to be able to understand what kind of economic changes AI brings. Unfortunately, there are almost no university economic courses on the importance of AI. Hence, researchers and policymakers need to work together to offer academics the necessary expertise to teach these kinds of courses.

Riccardo Masucci brought up computing power and connectivity advancements of AI and proposed the following four steps to create a favourable business environment to foster the continued use of AI:

- accountability – organisations need to be held accountable to minimise the risk of data processing;
- automated decision making – does not mean less protection, but the need for proper safe cuts for citizens;
- access to data – there is a need for a reliable and diverse dataset to develop AI;
- investment in research and development of AI.

Luca Bertoletti spoke about the impact AI has on consumers. Firstly, he mentioned some of the ways in which AI has improved the quality of life of some people, making day to day tasks easier. He emphasized how AI can help developing countries, nevertheless, China should not be the model for the use and development of AI. Therefore, in the field of data collection, policymakers should focus on the questions of *when? by whom?* and *how?* When these questions are answered properly, accountability is created in the industry.

His last remarks concerned the AI industry at EU level, by saying that the EU is not a friendly environment for AI investment, no member state of the Union thinking to compete with the US or China. Ultimately, AI investment in the EU should be encouraged, but care should be taken that governments will not misuse our data. Afterwards, Daniel Hannan concluded the meeting by reminding everyone, that automatization has been increasing for the past 200 years and jobs have been lost in the past, but liberating people created new industries nobody even imagined.

3.2 Conference report: Cross-Border Enterprises

Organized by: LVMI-Europe, Der Mittelstand-BVMW, European Entrepreneurs CEA-PME, Réseau Entreprendre International, Netwerk Ondernemen.

Date: 10th April 2019, 4.30 pm – 7.00 pm

Venue: Residence Palace, Rue de la Loi 155, 1000 Brussels, Room Maelbeek

Speakers:

Mrs. Annette Godart, President of the Ludwig Von Mises Institute – Europe.

Mr. Stéphane Ouaki, Head of Investments and SMEs Unit in DG RTD.

Mr. Stefan Moritz, Managing Director of European Entrepreneurs CEA-PME.

Ms. Valérie Guimard, Vice-President of European Entrepreneurs CEA-PME, President of the Association Française de Dirigeants d'Entreprise en Europe – AFDEE (F), and CEO of French IT company SI4YOU.

Mr. Daniel Kaddik, Executive Director of The European Liberal Forum (ELF), which is the foundation of the Alde party.

Moderator:

Mr. Philip Stafford: Editor, FT Trading Room at Financial Times.

Mrs. Godart took the floor, and after thanking the speakers and the participants, she introduced the Institute to the audience and mentioned that the Ludwig von Mises institutes are growing.

Mrs. Godart introducing the conference

At this moment, there are 11 Mises Institutes in Europe, and there is a Mises institute in India as well as one in Brazil. The purpose of LVMI Europe is to find creative solutions to promote a competent, competitive and creative Europe.

Then, **Mrs. Godart** introduced the topic of the conference: Small and Medium Enterprise and the European project "Digitalize SMEs," which supports the digital transformation of SMEs. This project is a "Preparatory Action" that has been requested by the European Parliament. In other words, the results of the project could provide the basis to develop a broader EU programme. It is of great importance for Europe's economic growth that both companies and digitalization experts register on digitalisesme.eu.

The project pairs the companies with experiences by digitalisation experts from abroad and pays for their travel costs and honorary.

In connection with this, another element of the SME's is their legal status, which will not deeply be discussed today, but will quickly be mentioned. The Industry Committee of the European Parliament concluded (dd 16-5-2018) that there needs to be more clarity on the definition of SMEs to ensure legal certainty for businesses.

Other suggestions by the Industry Committee to the European Commission included considering not only the number of employees, but also turnover and balance sheet totals as important criteria for defining an SME's status. MEPs propose future adjustments to ensure that the definition remains relevant. Since many EU legislative acts include SMEs, MEPs urged the EU Commission to better shape their legal definition to identify the right beneficiaries of SME schemes more accurately and to provide the specific support that these businesses need. The reason why such a clear definition is needed is the following:

Because of this incomplete definition, it is not possible to collect comparable data in the EU member states. Those SME's are also excluded from funding programmes and easing of the burden of bureaucracy.

Not only that, but the fact that highly specialized SMEs play an important role as suppliers for bigger enterprises and because of their generational economic acting, those companies offer material security and hence deliver a not insignificant contribution to the economic growth.

Mr. Ouaki started by underlining the importance of SMEs (Small and Medium Enterprises) in the Internal Market of the EU. They represent 99% of all EU enterprises and 58.6% of the European market value. This has allowed the EU to develop policies in support of SMEs based on three main points: promotion of entrepreneurship and skills, improvement of SMEs access to the market and improvement of SMEs' growth potential.

Intervention of Mr. Stefan Moritz

In these years, the most important challenge for the EU is the internationalization of SMEs. In fact, the near future forecasts say that 90% of the global growth will come from outside the EU, and that there will be an additional rise by 2030. This represents a risk for European enterprises and for SMEs too. Today, only one in four SMEs operate in the Internal Market, and one in eight operate outside the EU.

Another challenge that SMEs are addressing, is how to improve and how to integrate digital technology in order to become an effective player in the Internal Market, not only for sales but for internal processes and functioning too. Mr. Ouaki stressed the direct relation between digital improvement of enterprises and the growth of the EU Internal Market. He also pointed out the great success that the European single market has obtained in the last 25 years.

Then, **Mr. Ouaki** presented some initiatives that are trying to address the issue of cross-border enterprises at the EU level. DG-GROW (Internal Market, Industry, Entrepreneurship and SMEs) is trying to promote access to finance as well as improve companies' network on information, intellectual property and internationalization. He further mentioned that some initiatives deal directly with the capital market union and the digital single market. He also introduced the initiatives of his DG-RTD (Research and Innovation) in relation to very successful instruments that provide grant support for companies. At the present, they want to provide more decisive help to innovative SMEs in order to help them grow faster and start the process of digitalization.

Mr. Moritz started by pointing out the concept of digitalization and how it is important in the discussion on cross-border business. He considered the importance of the European single market as well as its difficulties in fully reaching its potential and opportunities. That is because member states try to hinder the single market through secondary legislation, administrative obligation, checks and bureaucratic documents, all of which cause lots of disputes before the Court of Justice of EU. This reality undermines the future of SMEs.

Then, he presented a project financed by the program Horizon 2020: "SME instrument". It consists of a technologically innovative project that the European Entrepreneurs SME want to maintain. Speaking about a support policy in favour of SMEs, he returned to the issue of digitalization and the various difficulties that companies may face. Mr Moritz advocated for a gradual process, which would ensure that digitalization is accomplished correctly. The European Parliament already asked the Commission to introduce a pilot program for a first phase of analyses and preparation of the technological transformation, with also an exchange program for experts (called "digital enabler") that can provide a different point of view.

Mr Moritz mentioned also the partners and sponsors of SMEs. With these partners, the European Entrepreneurs CEA-PME can offer short term internships and cooperation with expert companies from EU member states and other European countries. Following this statement, Mr. Moritz presented the benefits that the project "DigitalizeSME" can bring to European enterprises.

Afterwards, Mr. Moritz started describing the process of digitalization. In particular, it can be seen both as the transformation or optimization of former technologies that generate, store and process electronic data. The transformation or optimization should involve all the delivering and producing processes of services and goods. The companies should host a "digital enabler" for two periods, at the beginning and at the end of the process, in order to prepare a made-to-measure project. After this, it is necessary to introduce a training program for employees that will use the brand-new technologies.

Ms. Guimard, chair of a technology company of 15 people and coach of SMEs in this era of digitalization, was well aware of the need and the challenges of digitalization.

For SMEs the difficulty is making the right choices as how to digitalize, and the company does not always have the proper expertise. Companies face a huge amount of options, and a bad choice can result in a company losing a lot of money. However, if they do not digitalize, they will also lose money. It is a difficult choice as SMEs must transform, and, currently, any institution which can help them is very much needed. It is not just about choosing the right tool. Instead, it is about working together with partners and employees to ensure a positive transformation. SMEs will need a great deal of help, both financial and in expertise. SMEs working in IT and digitalization need to be supported in designing a digital world.

In conclusion, the digitalization of SMEs is a major issue which, if not dealt with, will deeply harm the companies. The good news is that digitalization can create a lot of jobs and it can also allow people to gain the skills needed for digitalization, which can then be recycled in the digital world. Thus, Ms Guimard and other institutions will be very busy in coaching and training these assemblies and Europe should also contribute to the coaching and supporting of this digital transformation.

Mr. Kaddik began by quoting one of his favourite economists of the Austrian school, Bastiat, who said that if goods don't come across borders, soldiers will. This belief has become the backbone in addition to the success story of the European Union. If the growth and performance of SMEs in Europe is hindered, so will the peace project of the European Union, which is bound to the markets.

SMEs are very important for the European economy despite the fact that only a small amount of SMEs are involved with trade. A survey from SME United in 2007 ranks difficulties for imports/exports as the second biggest threat to Small and Medium Enterprises. The single market is the key market for SMEs as 70% of imports and exports of SMEs go to or from countries in the single market. This results in a lot of problems as the single market is presently heavily regulated, which impedes it from fulfilling its potential. Around 700 new regulations are implemented each year across all member states of the European Union. One SME said that if the regulatory environment at the EU level becomes too complex, there is a risk that SMEs will stop exporting and instead stick to their national markets where they already know the rules.

This leads to another problem. The lack of comparability of the legal frameworks that we have in the individual member states. Just to give an example, if you are producing car parts in the UK you must subscribe to 24 additional public insurance schemes if you are going to fully exploit the single market. That is a cost factor that is quite important and prevalent but there is a lot to gain from the digital single market. Conservative estimates predict that a fully effective single market could increase the value of the EU's GDP by 651 billion Euros and more positive numbers say by 1.1 trillion. That would equal a GDP growth of between 5 and 8.63% per year, mostly through SMEs. A mutual recognition would make cross-border trade a lot simpler and could be facilitated by quick assessment procedures. Finally, getting rid of public procurement hindrances in the single market is another area of priority as it raises both the costs for consumers and producers alike.

However, we should not only focus on the negatives of the single market, but we should also remember the positives. 56 million jobs in the EU directly depend on trade in the single market. Of these, 20 million jobs are directly involved in producing export goods and services, and 60 million jobs are involved in producing imports to the industry that export directly to the single market.

Mr. Kaddik continued by outlining four points on the digital age. Firstly, the asymmetry that exists between SMEs and tech giants like Google must be dealt with. It is doubtful that Article 13, the EU copyright directive, will improve the situation as Mr. Kaddik believes that it will lead to a future where SMEs are more dependent on tech giants than before. The second point discussed was that data sharing and competition laws might be part of the solution. As the Economist has proposed in the article *How to Tame Tech Giants*, forcing tech giants to share their data with small competitors may help improve the digitalization of SMEs. This would make their data accessible and would not force smaller competitors to buy technology. Another problem is the number of regulations for the digital single market. Mr. Kaddik states that 59.1% of start-ups find the differences in national legislative regulations to be one of the biggest obstacles to internationalization. In his fourth point, he argued that one of the ways organizations like European Entrepreneurs can help is with collecting information about markets within Europe. This would facilitate the creation of a one stop shop, where companies can find out which regulations they need to abide with if they wish to export to a new market. Also knowing what levels of bureaucracy await cross-border trade is something companies need to know. Just take the instance of paying taxes, if you compare across the border, in Bulgaria a company needs on average 430 hours a year to take care of its taxes, in Germany it is 240 hours, and in Estonia it is 40 hours. Helping SMEs is not rocket science, it is actually quite simple: make it easier and more accessible. Less is more when it comes to regulation. If you look at Estonia, thanks to the EU presidency, over 6000 companies have been founded, with people coming mostly from countries with high market entry barriers when it comes to start companies. Thinking small first is something Mr. Kaddik promotes here.

In his closing remarks, Mr. Kaddik argued for a decrease in over-reliance on university education. One of the backbones of the German economy is SMEs, but also companies that invest in vocational training. Vocational training may be an antidote for youth unemployment and a booster for economic growth in Europe. Mr. Kaddik stated that, in Bulgaria, a country with an official population of 8 million, unofficially 6 or 5.5 million, there are over 50 universities. Everybody who finishes his high school education receives the opportunity to attend university no matter whether they are capable of that or not. Therefore, we have a race to the bottom, both in terms of regulation and in terms of education. We should rather strive for a race to the top.

Discussion

Question by W. Pape, researcher at CEPS: I am surprised. Nobody of the panel has mentioned at all the Chambers of Commerce. I am thinking about the Chambers of Commerce of state members, which are competing as well as third countries such as Japan and China, where we are very active. I wonder what entrepreneurs think of these administrative bodies, because it is difficult in terms of competitivity to find bases for these activities, because the EU does not have competences in export promotion. What does the panel think about this aspect?

Ms. Guimard: About the question on Chambers of Commerce, the issue is that we think as a single country instead of thinking with a European point of view, and this contributes to create a competition between different chambers of commerce.

Ms. Dana Stefan, Mrs. Annette Godart and Mr. Kristian Reeson

3.3 LVMI General Assembly Report

Date: 5th June, 2019, 18:00 - 20:30

Venue : Holland House, rue d'Arlon 32, Brussels.

Attending:

Mrs. Annette Godart-van der Kroon, President of LVMI-Europe

Mr. Filip Smeets, Director Financial Planning

Dr. Hanns-Martin Bachmann, Treasurer of LVMI-Europe

Prof. Dr. Marc Cools, Member of the Board of Directors

Philip Close, Supporting Member LVMI Europe

Mrs. Ulrike Haug, Member of the Advisory Board

Mr. Max Rangeley, Member of the Advisory Board

Mrs. Beatriz Carneiro, Supporting Member LVMI Europe

Mr. Nuno Lebreiro, Supporting Member LVMI Europe

Alexandra Novak, Assistant LVMI Europe

Niccolo Cividini, Assistant LVMI Europe

Premise to the General Assembly, suggestions by the Board of Directors on 7 May, 2019:

Prof. Dr. Marc Cools was nominated member of the BoD in 2015 and Dr. Hanns-Martin Bachmann in 2017 as Treasurer of the Board of Directors.

- On May 24th, 2018 Mr. Hermkens deposited the list of the Board of Directors at the Moniteur Belge. The list was incorrect and incomplete: the names of Dr. Bachmann, Mr. Amati, Prof. Dr. Cools, Prof. Dr. Huerta de Soto and Mr. Patrick Meinhardt were not mentioned in the presented list. Further: Only his name has been mentioned in the Carrefour des Entreprises, not even that of the President. That situation has lasted at least 1 ½ year, so that a false impression was given of the Institute to the outside world.

For this reason, the current official Board of Director members are: Mrs. Annette Godart-van der Kroon (President), Mr. Philippe Hermkens (Secretary) and Dr. Detmar Doering.

Because the only BoD member attending the meeting was the President, the quorum was not reached to come to a decision. Nevertheless, the participants of the meeting decided to continue in an informal vest and prepare documents for the General Assembly that will take place the 5^{th} June, 2019.

General Assembly 2019

The following items on the agenda were discussed:

1. The meeting started formally at 18:30 pm of 5^{th} June, 2019.
2. The minutes of the General Assembly of 8^{th} June, 2018 were analysed and approved by all attending members.
3. After this approval, the participants analysed the Annual Accounts of 2018. The total expenses exceeded the income. The expenses were 7.675,84 € and the incomes 7.305,00 €. The difference of debts at the bank between December 2017 (4.441,66 €) and December 2019 (4.819,14 €) is +377,48€. The Annual Account is dated 5^{th} June, 2019. The accounts were unanimously approved.
4. The following point in the agenda was to check the prognosis for 2019. Mrs. Godart took the opportunity to thank Dr. Bachmann for his generous donation to the Institute as it will be of great assistance in the upcoming year. However, Mrs. Godart also stressed the importance of obtaining more money and sponsorships for the Institute on a going forward basis.

5. As for the expenses, there are always debit costs as the Institute was below zero for a long time. The loan by Mrs. Godart in February has been reimbursed. The loans by Mrs. Godart in 2017 /2018 can be repaid later[1]
6. There is also a new cost of 250 € per year for becoming a member of Holland House (Club de Guides, Rue d'Arlon 32, Brussels), which will allow the institute to hold events in a suggestive and elegant location, without more costs (except the catering).
7. The Board of Directors was discharged.
8. After that, participants discussed about the status of the Board of Directors:
    a. **Following previous discussion in the board meeting of 7 May, 2019, Mr. Philippe Hermkens was discharged from his position as Secretary and as a member of the Board of Directors**. There is no legal obligation to nominate a secretary. Hence, the Secretary role will remain vacant until it is needed in the future.
    b. Mr. Filip Smeets was nominated as the Financial Planning Director. Mr. Filip Smeets emphasised the importance of expanding sponsorship and finding corporate members. He believes this is a great way to stabilize income and get ideas for future conferences. Some of these ideas include: Euro-defence Strategy and the proposed topics of potential future conferences.
    c. Mrs. Ulrike Haug was nominated as a Member of the Board of Directors. Mrs. Ulrike Haug agreed with Mr. Filip Smeets regarding the need to increase financial support for the Institute. She explained that targeting medium-sized companies and making companies paying members would be a good place to start.
    d. Dr. Bachmann announced his resignation as Treasurer of the Board of Directors. Mrs. Godart took the opportunity to thank him for his time and dedication to the Institute.

[1] Note: There is a list of Mrs. Godart's loans and reimbursements to the Institute from 2002 to 2019

   e. Subsequently, Mrs. Godart proposed Mr. Nuno Lebreiro as Treasurer which was confirmed by the General Assembly.

9. Concerning the "Alumni Programme" and the "Intern Exchange Programme," Mrs. Godart underlined the importance of these projects and the necessity to find a corporate member to sponsor them.
10. Mr. Nuno Lebreiro repeated his suggestion to (re-)introduce the "Mises Award." This award would allow the Institute to breach into the academic world by forming connections with universities and engaging with students. The proposed award would be given at a yearly conference with the participants being students and the judges being members of the Editorial Board.
    Mrs. Beatriz Carneiro suggested that Members of Parliament could be a potential source for funding this award. She also emphasized the importance of having such a sponsor as it increases the notoriety of the event and serves to further promote the values of the Institute.
11. Mrs. Godart gratefully reminded Mr. Max Rangeley of his promise to approach the other eleven Mises Institutes in Europe. Poland and Estonia were given as optimistic suggestions with Germany and the Netherlands being less likely to collaborate.

Mrs. Godart presented then the future events for 2019:

- 20th – 22nd June, 2019: Heilbronn Symposium
- 25th September, 2019: Mises Circle on Artificial Intelligence with Max Rangeley, editor of Cobden Centre
- 14th October, 2019: Reception and Inauguration of the Alumni programme LVMI Europe
- November, 2019: Conference on "Defence and Private security for the borders of the EU," (tbc)
- January, 2020: Conference with Europolis on "The European Banking Union," (tbc)

The new Board of Directors is as follows:
Mrs. Annette Godart-van der Kroon, President of LVMI-Europe

Mr. Nuno Lebreiro, Treasurer of LVMI-Europe
Mr. Filip Smeets, Director Financial Planning of LVMI-Europe
Prof. Dr. Marc Cools, Member of the Board of Directors
Mrs. Ulrike Haug, Member of the Board of Directors
Prof. Dr. Jesus Huerta de Soto, Member of the Board of Directors
Mr. Patrick Meinhardt, Member of the Board of Directors

3.4 Conference Report: Inauguration of the Alumni Programme

Organised by Ludwig von Mises Institute Europe

Date: 14-10-2019, 5.30 pm-7.00 pm

Venue: Holland House, Rue d'Arlon 20, 1050 Brussels

Mrs. Godart-van der Kroon welcomed the guests and opened the evening with the following speech.

With this event, the Alumni Programme has been inaugurated. During this event, the Alumni of LVMI Europe gathered for the first-but not for the last -time in order to renew the bond with each other and with LVMI Europe.
LVMI–Europe's alumni include all the enthusiastic, committed and hardworking interns and trainees, who have contributed to the positive development and running of the Institute.

Through this network, we wish to build a lifelong relationship between the past, present and future interns, who have helped LVMI – Europe throughout the years. This liaison is created for their communal advantage and the advancement of the think-tank. The objective of this network is to provide the members with a forum for socializing, the opportunity to offer input to the society and benefit continuously from its research resources, professional network and events.

Our organisation prides itself with the wide diversity of interns and trainees, who have left their positive mark through their work at LVMI – Europe. All of them originate from and have furthered their careers in countries and continents all around the globe. Joining the LVMI – Europe Alumni network can provide them with a network of people with not only exceptional international experience, but also a wide range of business opportunities.

It would be key to stay updated with our alumni, about their work.
As part of the project we want to offer the following advantages:

- Access to the Alumni Facebook and LinkedIn groups, where you can contact, exchange ideas and keep in touch.
- An annual Get-Together, organised at the beginning, or end of the calendar year to provide the Alumni with networking opportunities, and a chance to meet up with old friends and future partners.

Alumni Membership Cards: Receive the privileges of being an LVMI – Europe Alumni, which includes free access to our conferences, seminars, debates, newsletters, reports, etc. and Premium Discounts on books.

3.5 Conference report The European Banking Union and the future financial situation in Europe

Organized by: LVMI-Europe & the Cobden Centre

Date: Monday, November 18th 2019, 2.00 pm – 5 p.m.

Venue: Holland House, Rue d'Arlon 20, Brussels

Moderator:

Nuno Lebreiro, MA & MPhil at KU Leuven and Treasurer of the LVMI-Europe

Speakers:

Annette Godart-van der Kroon, President, LVMI-Europe (LLM)
Alasdair Macleod, Head of Research, GoldMoney
Heiko de Boer, Pictet Asset Management and former Director of AXA Bank
Max Rangeley, Editor and Manager, the Cobden Centre

The event started with an opening speech by **Mrs. Godart-van der Kroon**, who indicated the necessity to discuss the recent outcome of the decision of the German Federal Constitutional Court concerning the Banking Union as being "not against German Constitutional Law".

Actually, **Professor Kerber** of Europolis started the discussion on the Banking Union with a complaint laid down at the Bundesverfassungsgericht in November 2018.

The discussion on the Banking Union was started by **Heiko de Boer**, who began with a brief explanation of the historical inflation rates in the United Kingdom. Before the 16th/17th centuries prices had been very stable. Then with the influx of gold from the New World, Great Britain saw increased inflation. By the 19th century deflation was increasing, and prices were going down, a period of great prosperity for Great Britain. It was only since the beginning of the 20th century that interest rates have exploded. A similar pattern can be perceived for the rest of Europe.

In the United States, 20 years after the Fed was formed, the Great Depression happened, during which period the US dollar was significantly devalued against the price of gold. However, after WW II and the booming American economy, the dollar was once again at parity with gold under the Bretton-Woods system as it became the world's reserve currency.

The four speakers of the conference

All of this changed in 1971 when our economic 'anchor' was lost when President Nixon "closed the gold window", making the dollar inconvertible to gold except on the open market. As a result, debt levels and the supply of money increased significantly while interest rates decreased. Moreover, the central banks had to artificially suppress the rate of inflation.

De Boer notes in particular the Keynesian perspective of the central banks; the 'make-ability' of the economy, in their view, can be controlled by the central banks. As such, in recent years the ECB's main aim for Europe has been economic stability, even at the expense of financial responsibility, and the very low interest rates in the Eurozone for the last ten years have been creating a stable short-term economic situation without much consideration for the future. Discussing all of this from the point of view of the Austrian school, he showed that in his country, the Netherlands, people are saving more and more money for retirement as the retirement age increases, thus showing that people prefer leisure over money. The current ECB policy, however, goes completely against this view in that it has stated that people should be more content with having a job. He notes the negative impact of this low interest rate on pension funds, which as a result causes pension rate to be much less than they would otherwise be. In times of financial stress, gold and digital currencies do well and could offer a new 'anchor' for fiat currencies. However, banks and pension funds are unable to make this kind of transition due to their regulation by the central banks, which would perceive such a transition away from their currency as a lack of trust.

Finally, Mr. de Boer offered some advice; the ECB should adopt a lower inflation target because the current 2% target will require more and more extreme measures to continue to work, which is ultimately unsustainable. Indeed, he mentioned that there could very well be another Great Depression in the next ten years unless the ECB adopts a lower rate of inflation to counteract the low interest rates. As a warning, de Boer also discussed the rise in populist political parties across Europe, and that combined with an economic disaster caused by the ECB, could lead to a very dangerous situation in Europe in the near future.

The second speaker, the UK-based banker **Alasdair Macleod** discussed the history of Europe's financial situation. According to him, the First World War was financed by inflation, which led to a huge increase of wholesale prices (in America twofold and Britain threefold), and by the early 1920s Britain had a 25% rate of unemployment. Furthermore, the Great Depression of the 1920s/30s was unnecessarily prolonged by government intervention in the market in order to reduce the effects which, in his view, would only have lasted around 18 months had the market been left to work itself out without government involvement, although he admits the effects would have been more brutal for most people. Overall, the point is that government intervention into the market can have serious consequences, and the current policy of the ECB in providing unnaturally low interest rates (-0.5%, the lowest it has ever been).[2] Another point

[2] https://www.ecb.europa.eu/stats/policy_and_exchange_rates/key_ecb_interest_rates/html/index.en.html

discussed by Alasdair was that other major non-western economies such as China and Russia may establish their own gold-backed cryptocurrency as an alternative to those of the West. Moreover, the current trade war between the US and China is unlikely to be resolved anytime soon due to both countries’ desire to receive international portfolio flows. The US is also unlikely to backdown from China due to the negative reputation the Trump government will gain from it. The outlook, according to Macleod, is grim. He predicts that fiat currencies are “facing their last hurrah”, and with the US dollar no longer fit to be used as an international reserve currency, central banks will look for other options to reset the situation, such as digitising currency through blockchain and transitioning away from cash. This will not solve the problem, however, because “even a new form of money will be required to rescue government finances and prevent financial and economic failure through inflation. The accelerating pace of monetary creation to address these problems will remain the one problem central to the failure of a system of credit and monetary creation.” For a more detailed account of Alasdair Macleod’s point of view, you can see his article on the matter here[3].

The speakers answer the questions of the audience

[3] http://www.vonmisesinstitute-europe.org/wp-content/uploads/2019/12/Alasdair-Macleod-Article.pdf

The next speaker was **Max Rangeley**, who joined the discussion over Skype from the UK, and discussed new forms of finance and the impacts they have on the economy. First and foremost, Rangeley stressed the role and future of blockchain technology in international banking and proposed that Sweden would be the first country to switch its financial system entirely to blockchain, and that the rest of Europe should follow suit. The concept of blockchain technology removes the need for a 'middleman' in financial transactions, for example a bank or government. Instead, through blockchain the transaction takes place through every other computer involved in the system, all of which back up the transaction and provide a much greater amount of security than a government or bank could ever provide. In a nutshell, a blockchain consisting of millions of computers cannot be hacked unless one can hack millions of computers simultaneously.

Referring to the debt crisis, Rangeley suggested that it is a consequence of the low interest rates of the last few years and the ECB should liquidate debt and allow the market to set the interest rates. A consequence of this high debt/low interest system is, he notes, that so-called 'zombie companies' that have so much debt and are unprofitable, being kept alive by the low interest rates and increasing debt levels. In Max's view, these companies should be allowed to fail. The market will resolve itself if it were given the chance to set its own rates, while at the moment the low interest/high debt scenario perpetuated by the ECB for the sake of stability will continue to make the problem worse, and the longer they leave it, the worse it will be for everyone when the time comes.

As a conclusion, it became clear that the ECB's policy of low interest rates harks back to the time of government intervention in the economy during the Great Depression, which caused prolonged suffering for millions that could have been less acute had the market been allowed to set its own rates. Moreover, the rise of blockchain technology as a feasible alternative to current banking structures may offer a safer and more secure way of doing business while taking away power from banks and governments to intervene with their own policies, thus allowing for a truly market-run banking sector.

3.6 Reviews on the published book: Banking and the monetary policy" by LVMI Europe and Swiss Mises Institute dd August 2018 "Banking and Monetary Policy from the Perspective of Austrian Economics"

Herausgeber: Annette Godart-van der Kroon und Patrik Vonlanthen, Mises Institute Europe
Springer Nature
Cham, Schweiz
280 Seiten

Folgt man der Tagespolitik auf internationaler Ebene, gewinnt man den Eindruck, dass eine primitive Form des Keynesianismus die wirtschaftspolitische Debatte dominiere. Haben andere Stimmen noch eine Chance? Friedrich August von Hayek – er war als Vertreter der österreichischen Schule der maßgebliche Opponent der von John Maynard Keynes geprägten Cambridge-Schule – wusste, dass in **Wirtschaft und Politik eine Wahrheit nicht ein und für alle Mal etabliert werden könne; vielmehr müsse jede Generation aufs Neue von den richtigen Ideen überzeugt werden. Derzeit ringen zwei Denkrichtungen – österreichische versus Cambridge-Schule – um die Deutungshoheit. Unter** dem Titel „Banking and Monetary Policy from the Perspective of Austrian Economics" ist jüngst bei Springer ein Sammelband mit Argumenten der Österreichischen Schule zur Banken- und Geldpolitik erschienen. Die Herausgeber, haben Beiträge renommierter Vertreter der Österreichischen Schule gewinnen können. Im Ganzen liefern die Aufsätze wertvolle Perspektiven auf die jüngsten wirtschaftlichen Krisen sowie gute Argumente gegen die Nullzinspolitik und gegen massive staatliche Interventionen zur Belebung der allgemeinen Investitionstätigkeit.

Die meisten Aufsätze haben einen klaren aktuellen wirtschaftspolitischen Bezug. Drei Texte seien exemplarisch herausgegriffen. Brendan Brown widmet sich in seinem Aufsatz „What is wrong with the 2% Inflation Target?" einem Thema, mit dem sich viele Ökonomen und Politiker mit und ohne geldpolitische Fachkenntnis auseinandersetzen. Sein Vergleich des EZB-Präsdidenten, Mario Draghi, mit dem nackten Kaiser in Hans

Christian Andersens Märchen „Des Kaisers neue Kleider" veranschaulicht das Kernproblem: Draghi gibt vor, mit Hilfe einer aggressiven Geldpolitik deflationäre Tendenzen zu bekämpfen und die Inflationsrate präzise steuern zu können; doch drohte in der Eurozone weder eine Deflation noch reagiert die Preisentwicklung des privaten Verbrauchs auf Draghis Bemühungen. Trotzdem lassen ihn die Politiker schalten und walten, wie er will. Hervorzuheben ist die grundlegend andere Betrachtung der österreichischen Schule von Inflation als Geldmengenaufblähung anstelle der Entwicklung des Preisniveaus eines mehr oder weniger willkürlichen Warenkorbes. Aus dieser Perspektive führt die übermäßige Ausweitung der Geldmenge zu intertemporalen Ungleichgewichten in der Produktionsstruktur und damit zu Vermögenspreisblasen. Ein kurzer Blick auf die Immobilienpreisentwicklungen – früher in den USA, Spanien und Irland und jetzt in deutschen Großstädten – veranschaulichen die Relevanz des österreichischen Ansatzes.

Der Leipziger Ökonom Gunther Schnabl beschreibt in seinem Aufsatz „The failure of the ECB Monetary policy from a Mises-Hayek-Perspective" wie billiges Geld zu Beginn des letzten Jahrhunderts in der südlichen Eurozone Boom- und Bustzyklen provozierte. Die Hypothek dieser volkswirtschaftlichen Verzerrungen lastet noch heute auf diesen Volkswirtschaften. Hat die Politik daraus gelernt? Nein, sagen Hoffman und Cachanosky. Sie analysieren in ihrem Aufsatz „Unintended consequences of ECB policies on Europe's periphery", dass billiges Geld der EZB nach der Krise die Hauptziele der Befürworter – über eine vermehrte Kreditvergabe der Banken Investitionen nachhaltig in der Realwirtschaft zu stimulieren – nicht erreicht hat. Hauptnutzniesser waren stattdessen die überschuldeten Staaten in der Eurozone, die sich durch das billige Geld zum Aufschub wichtiger Strukturreformen verleiten ließen. Die EZB hat also durch Nullzinsen die Krise verlängert und die Saat für neue Vermögenspreisblasen gesät. Gunther Schnabl fordert daher zu recht den raschen Ausstieg aus der Billiggeldpolitik.

Der letzte Teil des Sammelbandes widmet sich dem Bitcoin-Phänomen und seinen Bezügen zu Österreichischen Ideen. Auch wenn jüngste Entwicklungen auf den Märkten der digitalen Währungen die Entstehung von Blasen vermuten lassen, wird erst die

Zukunft zeigen, ob sich Bitcoin und co nicht doch am Markt durchsetzen können und die Bürger unabhängig von der Willkür der Zentralbanken werden.

John Maynard Keynes hat in seinem Epoche machenden Buch „The General Theory of Employment. Interest, and Money" (1936) einen ähnlichen Gedanken wie den zuvor von F.A. von Hayek erwähnten formuliert: „Die Ideen von Ökonomen und politischen Philosophen, ob sie nun recht oder unrecht haben, sind mächtiger als allgemein angenommen. Die Welt wird in der Tat durch wenig Anderes beherrscht." Wer wissen will, wer in Zukunft die Welt dominiert – Keynes oder Hayek – tut gut daran, das Buch „Banking and Monetary Policy from the Perspective of Austrian Economics" zur Hand zu nehmen.

Review of *Banking and Monetary Policy from the Perspective of Austrian Economics*, Annette Godart-van der Kroon and Patrik Vonlanthen, eds., Cham, Switzerland: Springer, 2018, VII + 280 pp. **by Joseph T. Salerno**

The editors are to be heartily congratulated for putting together this book, which covers an impressive range of topics in monetary economics from an explicitly Austrian perspective. Most of the twelve essays are of a very high quality and one will learn much about money and related topics by a careful reading of them. The chapters range from an insightful interpretation of Austrian monetary theory as a rehabilitation and development of classical monetary theory to novel applications of the theory to current issues like inflation targeting, the consequences of unconventional ECB policies, and cryptocurrencies. In addition to its ambitious scope, this book stands out because most essays take an unabashedly Austrian approach to their topic. It is a great pleasure to read a volume on money and banking that so liberally cites Mises, Hayek, and Rothbard. Ironically, the one minor drawback of the book is that it does not contain an index for someone interested in the number and location of text references to these and other Austrian monetary theorists.

Guido Hülsmann presents an excellent overview of Mises's monetary theory that emphasizes its deep roots in the classical approach to money formulated by Ricardo and the British Currency School. As Hülsmann (p. 26) demonstrates in his essay, Mises "rebuilds classical monetary theory on a completely new and more solid foundation [i.e., the subjective theory of value], thus awakening it out of the slumber out of which it had sunken after 1844 and making it relevant again for political decision-making." Now this story has been told before, but the subtlety and clarity of Hülsmann's presentation mark it as an indispensable introduction to Mises's monetary theory and perfectly suits its position as the opening essay of the book.

The merits of this essay are not purely expositional, however, for Hülsmann makes an important doctrinal discovery. Standard accounts of the transition from the views of the sound money Currency School to, what Hülsmann labels, the "New Orthodoxy" based on the previously discredited Banking School have always focused on the alleged policy failures of the "currency principle," but have been hazy or mute regarding its doctrinal aspects. Who, exactly, was the central figure (or figures) in the recrudescence of the "banking principle"? The latter principle asserts that issuance of fractional-reserve bank notes and deposits convertible into specie are indispensable to ensuring economic stability and accommodating economic growth. Hülsmann fills this gap in the literature by identifying the prolific Scottish banker and economist Henry Dunning McLeod as the pioneer of this movement. He argues that Schumpeter, Keynes, and the early L. Albert Hahn all accepted the New Orthodoxy and developed their respective theories of money under McLeod's influence. Hülsmann makes a very plausible case for McLeod's key role in overturning classical monetary theory. But his case would be more compelling if he offered textual evidence from Schumpeter, Keynes, et al. to support his argument, because McLeod was lightly regarded by his contemporaries and dismissed as a monetary crank by later writers. In any event, Hülsmann has uncovered a lacuna in the history of monetary thought that at least needs to be addressed by further research.

Brendan Brown's essay, "What Is Wrong with the 2% Inflation Target," presents, what I consider, the definitive refutation of inflation targeting. Brown approaches his topic by upholding the classical gold standard as the standard by which to evaluate the nature and performance of modern fiat-money regimes. In doing so, Brown provides an excellent analysis of the merits of the gold standard. Brown eschews the artificial constructs of aggregate spending flows that contemporary macroeconomists fixate on. Instead, following Mises, Hayek, and Rothbard, he focuses his comparative analysis of monetary regimes on general movements of concrete money prices that naturally emerge in an economy in which money and goods are inextricably entwined in individual exchanges.

According to Brown, under the gold standard, gold served as high-powered money and was the "pivot" of the monetary system because it enjoyed a "large stable demand" for use as transactions media, bank reserves, and industrial inputs. Since the supply of gold was determined by market forces, it tended to be relatively fixed and inelastic in the short and medium runs while responding elastically to changes in its real price (i.e., in terms of the quantity of commodities a gold unit could purchase) in the long run. Thus, although the "well-pivoted" gold standard confined the movement of overall prices within definite bounds, it provided the necessary flexibility for the scale of money prices to move upward or downward naturally and spontaneously in response to changes in real conditions over short or medium periods. Indeed, it is precisely the accommodation of these natural price fluctuations that for Brown constitutes the essence of sound money and sharply distinguishes it from modern fiat-money regimes, which "target" stability of statistical constructs like the price level, inflation rate, or nominal income. As Brown (p. 87) incisively states:

> Under a system where a high-powered money is at the pivot, as in a gold money regime, there is considerable scope for prices to fluctuate under real influences, and in a way, which aids the invisible hands in their job of steering the capitalist economy in an efficient manner. Indeed, stable prices over the short and medium-term would indicate a defect in the price-signalling mechanisms of a capitalist economy under sound money.

Brown (pp. 87-88) gives three instances in which sound money facilitates the "natural rhythm of prices." During a recession, sound money promotes rapid recovery by facilitating the natural tendency of prices to fall below the perceived norm "for the cycle on average caus[ing] consumers and businesses to bring forward spending (so contributing to the business recovery)." Likewise, sound money poses no obstacle to price declines that reflect increases in real incomes caused by spurts of productivity growth. Lastly, a sound-money regime would not conceal and exacerbate the effects of severe (negative) supply shocks emanating from interruption of energy supplies or crop failures because prices would rise rapidly above anticipated levels, revealing and smoothly rationing the scarcer commodity supplies in the short run and encouraging consumers to postpone their purchases until prices return to perceived normal levels in the longer run. In all these cases, inflation targeting, if rigidly followed, would suppress the natural rhythm of prices and thereby disrupt the economy either by initiating asset bubbles (the first two cases) or by exacerbating real scarcities (the third case).

Furthermore, Brown (p. 90) argues, under a regime in which the price level or the inflation rate is targeted by the central bank, "the link between money and prices or nominal incomes [become] loose and unpredictable." The monetary pivot is thus "dislodged" and the natural rhythm of prices gives way to price inertia and institutionalism. This means that, at least in the short and medium runs, inflationary expectations become unmoored from monetary fundamentals and a tendency develops for the inflation rate to persist at the level expected. In addition, expectations themselves come to be dominated by real-side institutional factors like the behavior of labor unions or the state of the national budget or trade balance, etc. Of course, in the long run, monetary forces reassert themselves but, in the meantime, resources are misallocated, financial markets distorted, and asset bubbles begin to form.

Brown's essay is also instructive in explaining the historical origins and dissemination of the 2% inflation standard. Brown (p. 99-100) concludes by presenting a bold, populist program—and the challenges thereto—for demolishing the inflation-targeting regime and restoring sound money, short of the restoration of the classical gold standard:

Reserves at the central bank, like gold, must not pay interest. Obstacles to a vibrant use of cash in the economy should be demolished (. . . [including] issuance of high denomination notes to satisfy demand for these as medium of exchange). Bank demand for reserves (which would be held voluntarily not as a legal reserve requirement) would be boosted by the curtailing and ideally the abolition of too big to fail, lender of last resort and deposit insurance. The vast balance sheets of the central banks accumulated during the Grand Monetary Experiment would have to be shrunk such that the monetary base would be freely demanded at zero interest rates at the start.

"Hayek and Mises on Neutrality of Money: Implications for Monetary Policy" by Arkadiusz Sieroń outlines the uniquely Austrian understanding of the non-neutrality of money, which emphasizes the role of Cantillon effects. In particular Sieroń (p. 153) focuses on Mises's and Hayek's writings, "as these two authors presented the most far-reaching criticisms of the neutrality of money." Mainstream macroeconomists, in contrast, argue that while money is non-neutral in the short run, a proportional adjustment of nominal variables to a change in the money supply ensures that the effects on real variables vanish and neutrality of money prevails in the long run. For Mises and Hayek, Cantillon effects, also known as "first-round" or "injection" effects, refer to the fact that the emission of new money into the economy under any monetary regime is inevitably distributed unevenly among economic agents. This initial redistribution of monetary assets among households and firms causes an alteration in the structure of relative demands for different kinds of goods and a consequent change in the pattern of relative prices and the allocation of resources. Furthermore, the prices of some goods—those purchased by the first recipients of the new money—naturally rise before others causing further changes in the relative-price structure and, therefore, in the distribution of money incomes and cash balances. By the time this step-by-step process of adjustment to a change in the money supply comes to an end, the entire system of relative prices has been revolutionized resulting in a permanent change in resource allocation and the distribution of wealth and income. The sequential and time-consuming operation of the monetary adjustment process, during which the array of money prices change at different times in different proportions (and even directions), is thus an inherent feature of a money economy. As Sieroń (p. 159) trenchantly puts it:

For Hayek, changes in relative prices in response to monetary disturbances are not frictions, lags, or market failures occurring due to price rigidity, incomplete information, or irrational expectations, but the natural and inevitable consequence of monetary impulses. This is because new money enters circulation only through specific channels and some people receive the additional money earlier than others.

In comparing Mises's and Hayek's views on neutral money, Sieroń (p. 161) makes another important observation. Mises went "much further than Hayek" in his critique of neutral money. For Mises pointed out that money is non-neutral even if it is supposed Cantillon effects are absent because every agent's cash balance is somehow increased in equal proportion. In fact, although Sieroń does not note this, Mises (1971, pp. 140-41) went even further than this and supposed a situation in which the new money is distributed among individual cash balances in such a way that the relative (monetary plus nonmonetary) wealth of all remains unchanged. Mises insisted that in this case also the non-neutrality of money holds. The reason is that as the wealth of individuals increases, their subjective marginal-utility rankings of different goods and money will change and alter their relative demands for goods and cash balances. The outcome of this mental experiment will be a permanent reconfiguration of relative prices and resource allocation and a lack of proportionality between the change in the money stock and the scale of money prices—in short, long-run non-neutrality of money.

Sieroń concludes that the Cantillon effect, as conceived by Mises and Hayek, has momentous implications for the ongoing discussion of the efficacy of monetary policy, which has intensified since the financial crisis. In particular once the injection effect is recognized, monetary policy is exposed as an important cause of business cycles and asset bubbles and their international transmission, as well as a contributing factor to greater income inequality.

Jesús Huerta de Soto brilliantly debunks the fallacious arguments against deflation in his chapter "Anti-deflationist Paranoia." He recognizes three distinct kinds of deflation and perceptively analyzes the consequences of each. He points out that one type of deflation stems from an "error of institutional design" in the form of fractional-reserve banking. This "institutional deflation" is part of the regular recurrence of expansion and contraction of the money supply that is an inherent feature of a fractional-reserve banking system. It is the inevitable outcome of an inflationary boom fueled by previous bank credit expansion that falsifies the interest rate and causes malinvestments and distortion of the production structure. Indeed, this built-in tendency toward deflation is so powerful that the fractional-reserve banking system's "survival depends on a lender of last resort (or central banker)." Beyond preventing a wholesale collapse of the banking system, Huerta de Soto (p. 198) argues, . . . there is relatively little central banks can do. At most they can keep private banks from failing by providing them with all sorts of loans and assistance. And that is a about it. However, a process of monetary contraction (i.e., a process of deflation) is inevitable

Now this assertion that institutional deflation in the sense of an actual contraction of the money supply is an inevitable outcome of a fractional-reserve banking system appears to be in conflict with the facts, at least since World War II. Certainly, the Fed and other central banks successfully prevented their money supplies from contracting during the 2008 financial crisis with resort to unconventional methods of printing base money, such as ZIRP, QE, forward guidance, credit easing, etc. Nor did the money supply contract in the U.S. after the Dot-com bubble burst in 2000, or even during the severe "double-dip" recession of 1980-1982. I may misunderstand the author on this point, and he may be speaking about a powerful deflationary *tendency* that is present in fractional-reserve banking and that actually manifested itself when central banks operated only as lenders of last resort. But if this is the case, it would have been instructive for the author to indicate how modern central banks, focused on stabilizing prices or targeting inflation, routinely neutralize institutional deflation and what the consequences of their doing so are.

Huerta de Soto also engages and demolishes the main arguments against the kind of deflation that is caused by increases in productivity induced by capital accumulation and advances in technology. I do, however, have one minor reservation with respect to his rebuttal of the contention that a fall in prices due to an increase in real output that outstrips the increase in the money supply constrains economic growth and leads to a cumulative economic contraction. Huerta de Soto counters the argument by pointing out that a fall in prices will spur entrepreneurs to reduce costs by: 1. renegotiating input prices downward; 2. substituting at the margin relatively cheaper capital goods for laborers, who are now receiving higher real wages, thereby increasing the demand for capital goods and causing the laid-off laborers to migrate to capital goods' industries (i.e., the Ricardo effect).

If I have understood the argument correctly, it puts the cart before the horse. For it is the increase in saving and investment in capital goods that *initiates* the process of productivity growth. Increased investment causes workers to shift from consumer goods' to capital goods' industries. Eventually this movement increases the supply and lowers the prices of capital goods, making it profitable to implement new and more productive technical methods in the consumer goods' industries. Thus, even with nominal wage rates unchanged, costs of production decline as labor productivity increases. The prospective profit margins on consumer goods therefore expand. This stimulates consumer goods' firms to increase their supplies and the increased competition causes prices naturally to fall. In short, during the process of economic growth initiated by net saving and investment, labor productivity and costs of production fall *in advance of or in step with* the decline in product prices. Furthermore, laborers shift from industries closer in time to consumers to industries more temporally remote from consumers at the very beginning of the growth process rather than at its end, as Huerta de Soto contends. Thus, there is no need to renegotiate nominal wage rates or to lay off workers in response to deflation due to real output growth. But this is a minor emendation to a fine essay.

Due to space constraints I can only give brief notice to several other excellent essays in the book. Two of these essays focus on the nature and consequences of errors in ECB monetary policy. These are "Unintended Consequences of ECB Monetary Policies in Europe" by Andreas Hoffman and Nicolas Cachanosky and "The Failure of ECB Monetary Policy from a Mises-Hayek Perspective" by Gunther Schnabl. The authors of these essays have been pioneers in the application of Austrian business cycle theory to analyzing the international dimensions and transmission of asset bubbles and the ensuing financial crisis. Their essays in this book display deep scholarship and a familiarity with an enormous range of theoretical and empirical literature, both Austrian and mainstream. The significance of their essays lies not merely in identifying the flaws in ECB monetary policy leading up to the financial crisis, but in utilizing innovative theoretical models and masterfully employing data to explain how ECB policy in the aftermath of the crisis has led to a weak and protracted recovery in the Euro area. These essays also serve as exemplars for future research on the global transmission of monetary policy errors committed by national or supranational central banks.

Two of the essays addressing the Austrian view of cryptocurrency are "The Reconsideration of Hayek's Idea on the De-nationalization of Money: Taking the Growing Tendency of Digital Currency in Consideration" and "Cryptocurrencies from an Austrian Perspective" by Chikako Nakayama and Alistair Milne, respectively. These essays are not as tightly formulated as other essays in the book and tend to be wide-ranging reflections upon the linkages between Austrian monetary theory and cryptocurrencies in their various aspects. But they are extremely valuable nonetheless because they stimulate thought about the problems and potentialities of a radical approach to denationalizing money and implementing a sound, market-based money regime.

This book is indispensable reading for anyone who has a professional or vocational interest in the Austrian approach to money, finance, and business cycles.

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