

# Growth versus Security

## Old and New EU Members' Quest for a New Economic and Social Model

Edited by

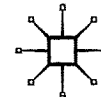
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## Foreword

Angus Maddison divides the last millennium into three distinct epochs of economic growth: the Middle Ages, 1000–1500, when world per capita GDP rose by 0.05% a year; the protocapitalistic epoch, 1500–1820, when it grew by 0.07% a year; and the capitalist epoch, 1820–2000, when the rate of growth was 17 times higher than it was in the preceding epoch. The capitalist epoch was ushered in by the establishment of classical economics in the late eighteenth century. The essence of classical system of economics was liberty in the field of individual choice and liberty in the organization of production and trade. The rule of law was embraced as a means to preserve citizens' liberty and property from encroachments by the state, while at the same time establishing and maintaining law and order. In addition, the general observance of established habits, traditions and moral conventions was considered to be as important as written laws.

Classical liberalism laid the foundation for a flexible system that is compatible with entrepreneurship, innovation and prosperity. While flexible, this system is also orderly.

*Growth versus Security* is an apt title for a volume of essays that is focused on many of the same issues that engaged classical economists. While dressed in modern attire, the policy prescriptions offered by the authors in this volume have the same look and feel as those proposed by the classical economists.

This leaves us with a problem of benefit-cost calculus that was observed and commented on by Frank Knight in 'Anthropology and Economics' (*Journal of Political Economy*, Vol. 49 No. 2, April 1941): 'The problem of change versus stability presents a major issue of policy on which the study of primitive society might conceivably throw some light. This is the question of the gains and losses involved in individual economic liberty, in comparison with a greater stability which, in theory at least, might be had through a greater emphasis on the folk wisdom presumptively embodied in the traditions of the past, enforced by authority.'

It also leaves us with the problem of public opinion because it is public opinion that determines the benefit-cost calculus and, therefore, the direction of economic policy. As Ludwig von Mises concluded in *Theory and History*: 'A statesman can succeed only insofar as his plans are

adjusted to the climate of opinion of his time, that is to the ideas that have got hold of his fellows' minds. He can become a leader only if he is prepared to guide people along the paths they want to walk and toward the goal they want to attain. A statesman who antagonizes public opinion is doomed to failure. No matter whether he is an autocrat or an officer of a democracy, the politician must give the people what they wish to get, very much as a businessman must supply the customers with the things they wish to acquire.'

Hopefully, this volume will enlighten public opinion and tilt the public's benefit-cost calculus towards liberal economic policies that promote economic growth and prosperity.

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