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Bilingual Journal of Interdisciplinary Studies

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Journal des Economistes et des Etudes Humaines
A bilingual journal of interdisciplinary studies

Volume 5 Numéro 2/3 Juin/Septembre 1994

SOMMAIRE

ARTICLES

James M. Buchanan & Dwight R. Lee	219	<i>On a Fiscal Constitution for the European Union</i>
Claude Vedel	233	<i>Dépenses publiques improductives et modalités de leur financement par l'impôt dans un modèle de base agrégé</i>
Peter J. Boettke	267	<i>The Reform Trap in Economics and Politics in the Former Communist Economies</i>
Hilton Root	295	<i>Le marché des droits de propriété en France et en Angleterre à l'époque moderne</i>
Hans Hermann Hoppe	319	<i>Time Preference, Government, and the Process of De-Civilization — From Monarchy to Democracy</i>
Jeffrey Rogers Hummel & Don Lavoie	353	<i>National Defense and the Public-Goods Problem</i>

COMMUNICATIONS ET COMMENTAIRES

Jesus Huerta de Soto	379	<i>Banque centrale ou banque libre : Le débat théorique sur les réserves fractionnaires</i>
Gilles Dufrenot & Laurent Mathieu	393	<i>Methods in Economics: Testing for Linearity</i>
Jacques Voranger	409	<i>Anticipation rationnelle ou rationalité partagée : Elucidation sur un cas simple de duopole</i>

COMPTES RENDUS ET NOTES DE LECTURE

Philippe Nemo	415	<i>La constitution de la liberté</i>
Christopher Lingle	423	<i>The Illusion of Choice: How the Market Economy Shapes our Destiny</i>
Philippe Maître	429	<i>Playing Fair. Game Theory and the Social Contract</i>

RESUMES DES ARTICLES 437 **ABSTRACTS**

LIVRES REÇUS 443 **BOOKS RECEIVED**

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TIME PREFERENCE, GOVERNMENT, AND THE PROCESS OF DE-CIVILIZATION — FROM MONARCHY TO DEMOCRACY

Hans-Hermann Hoppe^o

1. Time Preference

In acting, an actor invariably aims to substitute a more for a less satisfactory state of affairs and thus demonstrates a preference for more rather than fewer goods. Moreover, he invariably considers when in the future his goals will be reached, *i.e.*, the time necessary to accomplish them, as well as a good's duration of serviceability. Thus, he also demonstrates a universal preference for earlier over later goods, and for more over less durable ones. This is the phenomenon of time preference.¹

Every actor requires time to attain his goal, and since man must always consume something and cannot entirely stop consuming while he is alive, time is always scarce. Thus, *ceteris paribus*, present or earlier goods are, and must invariably be, valued more highly than future or later ones. In fact, if man were not constrained by time preference and if the only constraint operating on him were that of preferring more over less, he would invariably choose those production processes which yielded the largest output per input, regardless of the length of time needed for these methods to bear fruit. He would always save and never consume. For instance, instead of building a fishing net first, Crusoe would have immediately begun constructing a fishing trawler — as the economically most efficient method of catching fish. That no one, including Crusoe, could act in this way makes it evident that man cannot but "value fractions of time of the same length in a different way according as they are nearer or remoter from the instant of the actor's decision."² "What restricts the amount of saving and investment is time preference."³

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¹ See on the following in particular Mises-1966, chs. XVIII, XIX; also Jevons-1965; Boehm-Bawerk-1959; Strigl-1934; Fetter-1977; Rothbard-1970.

² Mises-1966, p. 483.

³ *Ibid.*, p. 491.

Constrained by time preference, man will only exchange a present good for a future one if he anticipates thereby increasing his amount of future goods. The rate of time preference, which is (and can be) different from person to person and from one point in time to the next, but which can never be anything but positive for everyone, simultaneously determines the height of the premium which present goods command over future ones as well as the amount of savings and investment. The market rate of interest is the aggregate sum of all individual time preference rates reflecting the social rate of time preference and equilibrating social savings (*i.e.*, the supply of present goods offered for exchange against future goods) and social investment (*i.e.*, the demand for present goods thought capable of yielding future returns).

No supply of loanable funds can exist without previous savings, *i.e.*, without abstaining from a possible consumption of present goods (an excess of current production over current consumption). And no demand for loanable funds would exist if no one perceived an opportunity to employ present goods productively, *i.e.*, to invest them so as to produce a future output that would exceed current input. Indeed, if all present goods were consumed and none invested in time-consuming production methods, the interest rate would be infinitely high, which, anywhere outside of the Garden of Eden, would be tantamount to leading a mere animal existence, *i.e.*, eking out a primitive subsistence living by encountering reality with nothing but one's bare hands and a desire for instant gratification.

A supply of and a demand for loanable funds only arise — and this is the human condition — if it is recognized first that indirect (more roundabout, lengthier) production processes yield a larger or better output per input than direct and short ones,⁴ and second, that it is possible, by means of savings, to accumulate the amount of present goods needed to provide for all those wants whose satisfaction during the prolonged waiting time is deemed more urgent than the increment in future well-being expected from the adoption of a more time-consuming production process.

So long as these conditions are fulfilled, capital formation and accumulation will set in and continue. Instead of being supported by and engaged in instantaneously gratifying production processes, land and labor (the original factors of production) are supported by an excess of production over consumption and employed in the production of capital goods. Capital goods have no value except as intermediate products in the process of turning out final (consumer) goods later, and insofar as the production of final products is more productive with than without them, or, what amounts to the same thing, insofar as he who possesses and can produce with the aid of capital goods is nearer in time to the completion of his ultimate goal than he who must do without them. The excess in value (price) of a capital good over the sum expended on the complementary originally factors required for its production is due to this time difference and the

⁴ To be sure, not all lengthier production processes are more productive than shorter ones, but under the assumption that man, constrained by time preference, will invariably (and at all times) select the shortest conceivable methods of producing some given output, any increase in output then can — praxeologically — only be achieved if the production process is lengthened, given constant technology.

universal fact of time preference. It is the price paid for buying time, for moving closer to the completion of one's ultimate goal rather than having to start at the very beginning. For the same reason, the value of the final output must exceed the sum spent on its factors of production (the price paid for the capital good and all complementary labor services).

The lower the time preference rate, the earlier the onset of the process of capital formation, and the faster the roundabout structure of production will be lengthened. Any increase in the accumulation of capital goods and the roundaboutness of the production structure in turn raises the marginal productivity of labor. This leads to either increased employment or wage rates, or even if the labor supply curve should become backward sloping with increased wage rates, to a higher wage total. Supplied with an increased amount of capital goods, a better paid population of wage earners will produce an overall increased — future — social product, thus also raising the real incomes of the owners of capital and land.

2. Factors Influencing Time Preference and the Process of Civilization

Among the factors influencing time preference one can distinguish between external, biological, personal, and social or institutional ones.

External factors are events within an actor's physical environment whose outcome he can neither directly nor indirectly control. Such events affect time preference only if and insofar as they are expected. They can be of two kinds. If a positive event such as manna falling from heaven is expected to happen at some future date, the marginal utility of future goods will fall relative to that of present ones. The time preference rate will rise and consumption will be stimulated. Once the expected event has occurred and the larger supply of future goods has become a larger supply of present goods, the reverse will happen. The time preference rate will fall, and savings will increase.

On the other hand, if a negative event such as a flood is expected, the marginal utility of future goods rises. The time preference rate will fall and savings will increase. After the event, with a reduced supply of present goods, the time preference rate will rise.⁵

Biological processes are technically within an actor's reach, but for all practical purposes and in the foreseeable future they too must be regarded as a 'given' by an actor, similar to external events.

It is a 'given' that man is born as a child, that he grows up to be an adult, that he is capable of procreation during part of his life, and that he ages and dies. These biological facts have a direct bearing on time preference. Because of

⁵ If it is expected that nothing at all can be done about the impending losses of future goods such that no present attempt to mitigate these losses through compensatory savings (or insurance) appears possible because such savings would be destroyed as well, the time preference rate will immediately rise, and it will remain high after the event.

biological constraints on their cognitive development, children have an extremely high time preference rate. They do not possess a clear concept of a personal life expectancy extending over an extended period of time, and they lack a full comprehension of production as a mode of indirect consumption. Accordingly, present goods and immediate gratification are highly preferred to future goods and delayed gratification. Savings-investment activities are rare, and the periods of production and provision seldom extend beyond the most immediate future. Children live from day to day and from one immediate gratification to the next.

In the course of becoming an adult, an actor's initially extremely high time preference rate tends to fall. With the recognition of one's life expectancy and the potentialities of production as a means of indirect consumption, the marginal utility of future goods rises. Saving and investment are stimulated, and the periods of production and provision are lengthened.

Finally, becoming old and approaching the end of life, one's time preference rate tends to rise. The marginal utility of future goods falls because there is less of a future left. Savings and investments will decrease, and consumption including the non-replacement of capital and durable consumer goods — will increase. This old-age effect may be counteracted and suspended, however. Owing to the biological fact of procreation, an actor may extend his period of provision beyond the duration of his own life. If and insofar as this is the case, his time preference rate can remain at its adult-level until his death.

Within the constraints imposed by external and biological an actor sets his time preference rate in accordance with his subjective evaluations. How high or low this rate is and what changes it will undergo in the course of his lifetime depend on personal psychological factors. One man may not care about anything but the present and the most immediate future. Like a child, he may only be interested in instant or minimally delayed gratification. In accordance with his high time preference, he may want to be a vagabond, a drifter, a drunkard, a junkie, a day-dreamer, or simply a happy-go-lucky kind of guy who likes to work as little as possible in order to enjoy each and every day to the fullest. Another man may worry about his and his offspring's future constantly and, by means of savings, may want to build up a steadily growing stock of capital and durable consumer goods in order to provide for an increasingly larger supply of future goods and an ever longer period of provision. A third person may feel a degree of time preference somewhere in between these extremes, or he may feel different degrees at different times and therefore choose still another lifestyle-career.⁶

⁶ In contrast to the wide-spread recognition of the phenomenon of time preference by economists, in particular those of the "Austrian School", amazingly little attention has been paid to it by sociologists and political scientists. A notable exception is Banfield-1974, esp. ch. 3, who identifies time preference as the underlying cause for the persistent distinction between social classes and cultures, in particular between the "upper class" and the "lower" class. Whereas members of the former are characterized by future-orientation, self-discipline, and a willingness to forego present gratification in exchange for a better future, members of the "lower class" are characterized by their present-orientation and hedonism. "If (the lower class individual) has any awareness of the future, it is of something fixed, fated, beyond his control: things happen to him, he does not make them happen. Impulse governs his behavior, either because he cannot discipline himself to sacrifice a present for a future satisfaction or because he, has no sense of the future. He is therefore radically improvident... He works only as he must to stay alive, and

However, no matter what a person's original time preference rate or what the original distribution of such rates within a given population, once it is low enough to allow for any savings and capital or durable consumer goods formation at all, a tendency toward a fall in the rate of time preference is set in motion, accompanied by a "process of civilization."⁷

The saver exchanges present (consumer) goods for future (capital) goods with the expectation that these will help produce a larger supply of present goods in the future. If he expected otherwise he would not save. If these expectations prove correct, *and if everything else remains the same*, the marginal utility of present goods relative to that of future ones will fall. His time preference rate will be lower. He will save and invest more than in the past, and his future income will be still higher, leading to yet another reduction in his time preference rate. Step by step, the time preference rate approaches zero — without ever reaching it. In a monetary economy, as a result of his surrender of present money, a saver expects to receive a higher real money income later. With a higher income, the marginal utility of present money falls relative to future money, the savings proportion rises, and future monetary income will be even higher.

Moreover, in an exchange economy, the saver-investor also contributes to a lowering of the time preference rate of non-savers. With the accumulation of capital goods, the relative scarcity of labor services increases, and wage rates, *ceteris paribus*, will rise. Higher wage rates imply a rising supply of present goods for previous non-savers. As a result, even their time preference rates will fall.

In addition, as an indirect result of the increased real incomes brought about through savings, nutrition and health care improve, and the life expectancy tends to rise. In a development similar to the transformation from childhood to adulthood, with a higher life expectancy more distant goals are added to an individual's present value scale. The marginal utility of future goods relative to that of present ones increases, and the time preference rate further declines.⁸

Simultaneously, the saver-investor initiates a "process of civilization". In generating a tendency toward a fall in the rate of time preference, he successively raises himself — and everyone directly or indirectly connected to him through a network of exchanges — from barbarism to civilization and from human childhood to adulthood.

... following footnote 6

drifts from one unskilled job to another, taking no interest in his work... He is careless with his things... and, even when nearly new, they are likely to be permanently out of order for lack of minor repairs. His body, too, is a thing 'to be worked out but not repaired.' (*Ibid.*, pp. 61-62). Phenomena typically associated with the "lower class", such as family breakdown, promiscuity, venereal disease, alcoholism, drug addiction, violence, crime, high infant mortality, and low life expectancy, all have a common cause in high time preference. Their cause is not unemployment or low income. Rather, notes Banfield, causation is, if anything, the other way around: lasting unemployment and persistently low incomes likewise are the effects of an underlying high time preference. As another important exception to the general neglect of the phenomenon of time preference at the hands of non-economists see Smith-1988.

⁷ For a detailed empirical, socio-psychological description of the phenomenon of the "process of civilization" see also Elias-1968.

⁸ To avoid any misunderstanding: The mere fact of a longer life has no impact on time preference. Rather, it is only the personal knowledge — the subjective expectation — of this fact, that leads to a fall in a person's degree of time preference.

In building up an expanding structure of capital and durable consumer goods, the saver-investor also steadily expands the range and horizon of his plans. The number of variables under his control that are taken into account in his present actions increases. Accordingly, this increases the number and time horizon of his predictions concerning future events. Hence, the saver-investor is interested in acquiring and steadily improving upon his knowledge concerning an increasing number of variables and their interrelationships. Yet once he has acquired or improved his own knowledge and verbalized or displayed it in action, such knowledge becomes a "free good", available for imitation and utilization by others for their own purposes. Thus, by virtue of the saver's saving, even the most present-oriented person will be gradually transformed from a barbarian to a civilized man. His life ceases to be brutish, nasty and short and becomes longer, increasingly refined, and comfortable.

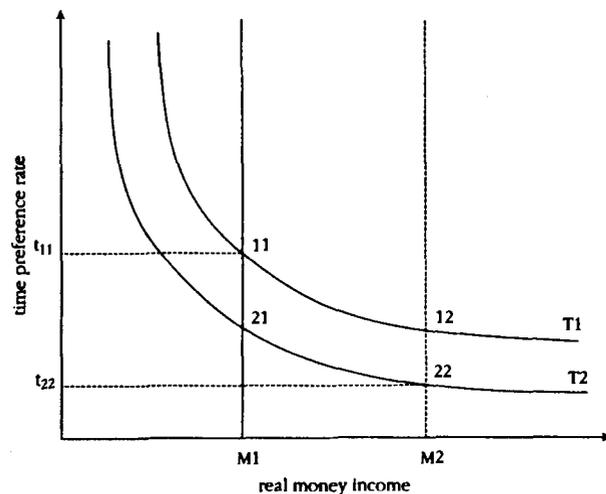


Figure 1

Figure 1 provides a graphic illustration of the phenomena of time preference and the process of civilization. It relates individual time preference rates — the height of the premium of a specified present good over the same good at a specified later date which induces a given individual to engage in intertemporal exchange — on the vertical axis to the individual's *real* money income — his supply of present money — on the horizontal. In accordance with the law of marginal utility, each individual time preference curve, such as T1 or T2, slopes downward as the supply of present money increases. The process of civilization is depicted by a movement from point 11 — with a time preference rate of t_{11} — to 22 — with a time preference rate of t_{22} . This movement is the composite result of two interrelated changes. On the one hand, it involves a movement along T1 from point 11 to 12, representing the fall in the time preference rate that results if an individual with a *given* personality possesses a larger supply of present goods. On the other hand, there is a movement from point 12 to 22. This change from a higher to a lower time preference curve — with real income assumed to be given — represents the *changes* in personality as they occur during the transition from childhood to adulthood, in the course of rising life-expectancies, or as the result of an advancement of knowledge.

3. Time Preference, Property, Crime, and Government

The actual amount of present goods allocated to the production of future goods depends on the one hand on a person's technical knowledge. Without the knowledge of how to build a fishing net, for instance, Crusoe obviously could not even have begun to exchange present goods for future ones, that is, to save an invest. On the other hand, *given* a person's technical knowledge the amount of saving depends solely on his supply of present good and his time preference schedule. The smaller his supply of present goods and the higher his time preference schedule, the higher his effective time preference rate and the lower his actual savings will be.

In the beginning of mankind, there was only "land" (nature-given resources and obstacles) and "labor" (human bodies). Strictly speaking, the only *given* supply of any good is that of body-time. The supply of all other goods — be they perishable or durable consumer goods such as berries or caves, or indirectly useful goods (production factors), such as berry bushes and their surrounding land — is not 'given'. It is the result of someone's prior action; of the appropriation (homesteading) of nature by a specific individual. The facts and laws of nature and human biology are 'givens', of course, and nature as such may be generous or skimpy. But only through an individual's act of appropriation is nature turned into a supply of goods. It is even more obvious that the supply of all *produced* goods is not 'given'. Be they consumer goods, which have been stored, conserved or made more durable, or produced factors of production (capital goods), they are all the outcome of the activities of specific individuals. Finally, technical knowledge is

also not a 'given'. That one potato saved today can yield ten potatoes one year from now may be a fact of nature, but one must first have a potato. Yet even if one did and one were perfectly willing to invest it for this return or an even lower one, such a fact would be irrelevant unless the person in question knew the laws of potato growing.

Thus, neither the supply of present goods nor technology then is given or fixed. Rather, they are artefacts, created with the intention of improving their appropriator-producer's well-being. These expectations can turn out right or wrong, and rather than securing a profit for the actor, his actions may result in a loss. But one would not spend any time picking berries unless he originally expected berries to be eatable. No one would appropriate a berry bush unless he thought that this would enhance his berry harvest. No one would want to learn anything about any fact or law of nature unless he anticipated that such knowledge would help him improve his circumstances.

In a social context, an individual's supply of appropriated and produced goods, his time preference schedule, and hence his effective time preference rate may also be affected by the actions — and the expectations regarding these actions — of others.⁹

The aforementioned tendency toward a fall in the rate of time preference and the accompanying process of civilization will proceed so long — as has so far been tacitly assumed to be the case — as no one interferes with another's acts of nature-appropriation and production. So long as this is the case and each person is respected by everyone else as the owner of his supply of body-time and whatever goods he has appropriated and produced such that everyone may enjoy, unmolested by others, all present and future benefits to be derived from these goods, the existence of more than one person either leaves the tendency toward a fall in the time preference rate unchanged, or it even accelerates and reinforces the very process. The former is the case if and insofar as A appropriates a previously unowned, nature-given good, or if he transforms such a good into a different one without causing any physical damage to the goods owned by another person B. A's supply of present goods, or the value of such goods for A, is increased, and hence, *ceteris paribus*, his time preference rate will fall. Because A's acts have no impact on the supply of goods owned by B, B's time preference rate remains unaffected. Furthermore, the tendency will actually be accelerated insofar as A and B, based on the mutual recognition of each other's property, engage in voluntary trade or cooperation and even without any such exchange insofar as they merely observe each other's activities and copy each other's knowledge. For any voluntary trade or cooperation between A and B increases — *ex ante* — the supply and/or the value attached to the supply of the goods of *both* parties (otherwise it would not take place), and hence the time preference rate of both A and B will fall. Moreover, by learning facts and laws from one another, such as that there are potatoes, that potatoes can be eaten, or that one's present potato may yield ten future ones, the tendency toward a fall in the rate of time preference spreads from one person to another.

⁹ See on the following also Rothbard-1970, pp. 147-159; Rothbard-1977; Hoppe-1989; Hoppe-1993a.

However, if violations of property rights occur and the goods appropriated or produced by A are stolen, damaged or expropriated by B, or if B restricts the uses that A is permitted to make of his goods in any way (apart from not being allowed to cause any physical damage to the property of B), then the tendency toward a fall in the rate of time preference will be disturbed, halted or even reversed.

The violations of property rights — and the effect they have on the process of civilization — can be of two kinds. They can take the form of criminal activities (including negligent behavior), or they can take the form of institutional or governmental interference.

The characteristic mark of criminal invasions of property rights is that such activities are considered illegitimate or unjust not only by the victim, but by property owners in general (and possibly even by the criminal himself). Hence, the victim is considered entitled to defend himself — if need be by retaliatory force, and he may punish and/or exact compensation from the offender.

The impact of crime is twofold. On the one hand, criminal activity reduces the supply of the goods of the victimized appropriator-producer-exchanger, thereby raising his effective time preference rate (his time preference schedule being given). On the other hand, insofar as individuals perceive a risk of future victimization they will accordingly re-allocate their resources. They will build walls and fences, install locks and alarm systems, design or buy weapons, and purchase protection and insurance services. The existence of crime thus implies a setback in the process toward a fall in the rate of time preference as far as actual victims are concerned, and it leads to expenditures — by actual and potential victims — which would be considered wasteful without the existence of crime.¹⁰

Therefore, crime or a change in the rate of crime has the same type of effect on time preference as the occurrence or a changed frequency of 'natural' disasters. Floods, storms, heat waves, and earthquakes also reduce their 'victims' supply of present goods and thus raise their effective time preference rate. And the perceived risk(change) of natural disasters also leads to resource re-allocations and expense-adjustments — such as the construction of dams, irrigation systems, dikes, shelters, or earthquake insurance — which would be unnecessary without the existence of these natural risks.

More importantly, however, because actual and potential victims are permitted to defend, protect and insure themselves against both social disasters such as crime as well as natural ones, the effect of these on time preference is only temporary and unsystematic. Actual victims will save-invest a smaller amount of goods because they are poorer. And the altered risk perceptions among actual and potential victims shape the *direction* of their future actions. But so long as physical protection and defense are permitted, the existence neither of social nor of natural disasters implies that the time preference *degree* of actual or potential victims — their degree of future-orientation — will be systematically changed.¹¹ After taking

¹⁰ See also Tullock-1967.

¹¹ In terms of Figure 1 above: Social and natural disasters alike imply a movement upward and to the left on a given time preference curve — insofar as actual victims are concerned. But they do not imply a change in a person's character structure, i.e., a shift from a lower to a higher time preference curve. Such a shift occurs in the presence of government-disasters, however. See the following discussion above.

account of the damage and redirecting one's activities, the tendency toward a fall in the rate of time preference and the attending process of civilization will resume on its previous path. In its course, both the protection against crime as well as that against natural disasters can be expected to undergo continual improvement.¹²

Matters fundamentally change and the process of civilization is permanently derailed whenever property rights' violations take the form of government interference, however.

The distinctive mark of government violations of private property rights is that contrary to criminal activities, they are considered legitimate not only by the government agents who engage in them, but by the general public as well (and in rare instances possibly even by the victim). Hence, a victim may *not* legitimately defend himself against such violations.¹³

The imposition of a government tax on property or income violates a property or income producer's rights as much as theft does. In both cases the appropriator-producer's supply of goods is diminished against his will and without his consent. Government money or 'liquidity' creation involves no less a fraudulent expropriation of private property owners than the operations of a criminal counterfeiter gang. Moreover, any government regulation as to what an owner may or may not do with his property — beyond the rule that no one may physically damage the property of others and that all exchange and trade with others must be voluntary and contractual — implies a "taking" of somebody's property on a par with acts of extortion, robbery, or destruction. But taxation, the government's provision of 'liquidity', and government regulations — unlike their criminal counterparts — are considered legitimate, and the victim of government interference — unlike the victim of a crime — is *not* entitled to physical defense and protection of his property.

Because of their legitimacy, then, government violations of property rights affect individual time preferences in a systematically different and much more profound way than crime. Like crime, any government interference with private property rights reduces someone's supply of present goods and thus raises his effective time preference rate. Yet government offences — unlike crime — simultaneously raise the time preference *degree* of actual and potential victims because they also imply a reduction in the supply of *future* goods (a reduced rate of return on investment). Crime, because it is illegitimate, occurs only intermittently — the robber disappears from the scene with his loot and leaves his victim alone. Thus, crime can be dealt with by increasing one's demand for protective goods and services (relative to that for non-protection goods) so as to restore or even increase one's future rate of investment return and make it less likely that the same or a different robber will succeed a second time with the same or a different victim. In contrast, because they are legitimate, governmental property rights violations are

¹² On the evolution and efficiency of systems of competitive law courts and privately provided defense and law enforcement see Molinari-1977; Wooldridge-1970; Rothbard-1978; Hoppe-1993a; Tannehill/Tannehill-1984; Anderson/Hill-1980; Benson-1986; Benson-1990; McGrath-1984; McGrath-1994.

¹³ On the theory of the state see besides the works cited in footnote 9 above Oppenheimer-1914; Oppenheimer-1964; Ruestow-1980; Tilly-1985; Epstein-1985.

continual. The offender does not disappear into hiding but stays around; and the victim does not 'arm' himself but must (at least he is generally expected to) remain defenceless.¹⁴ Consequently future property rights violations, rather than becoming less frequent, become institutionalized. The rate, regularity and duration of future victimization increases instead of decreasing.

Instead of by improved 'protection', the actual and potential victims of government property rights violations — as demonstrated by their continued defencelessness vis-a-vis their offenders — respond by associating a permanently higher risk with all future production and systematically adjusting their expectations concerning the rate of return on all future investment downward.

Competing with the tendency toward a falling rate of time preference, another opposing tendency comes into operation with the existence of government. By simultaneously reducing the supply of present and (expected) future goods, governmental property rights violations not only raise time preference rates (with given schedules) but also time preference schedules. Because appropriator-producers are (and see themselves as) defenceless against future victimization by government agents, their expected rate of return on productive, future oriented actions is reduced all-around, and accordingly all actual and potential victims become more present-oriented.

As will be explained in the following section, if government property rights violations take their course and grow extensive enough, the natural tendency of humanity to build an expanding stock of capital and durable consumer goods and to become increasingly more farsighted and provide for ever more distant goals may not only come to a standstill, but may be reversed by a tendency toward de-civilization: formerly provident providers will be turned into drunks or daydreamers, adults into children, civilized men into barbarians, and producers into criminals.

¹⁴ Writes Spooner-1866, p. 17: "The government does not, indeed, waylay a man in a lonely place, spring upon him from the roadside, and holding a pistol to his head, proceed to rifle his pockets. But the robbery is none the less a robbery on that account; and it is far more dastardly and shameful. The highwayman takes solely upon himself the responsibility, danger, and crime of his own act. He does not pretend that he has a rightful claim to your money, or that he intends to use it for your own benefit. He does not pretend to be anything but a robber. He has not acquired impudence enough to profess to be merely a 'protector,' and that he takes men's money against their will, merely to enable him to 'protect' those infatuated travellers, who feel perfectly able to protect themselves, or do not appreciate his peculiar system of protection. He is too sensible a man to make such professions as these. Furthermore, having taken your money, he leaves you, as you wish him to do. He does not persist in following you on the road, against your will; assuming to be your rightful 'sovereign,' on account of the 'protection' he affords you. He does not keep 'protecting' you, by commanding you to bow down and serve him; by requiring you to do this, and forbidding you to do that; by robbing you out of more money as often as he finds it for his interest or pleasure to do so; and by branding you as a rebel, a traitor, and an enemy to your country, and shooting you down without mercy, if you dispute his authority, or resist his demands. He is too much of a gentleman to be guilty of such impositions, and insults, and villainies as these. In short, he does not, in addition to robbing you, attempt to make you either his dupe or his slave."

4. Government, Government Growth, and the Process of Decivilization — Or From Monarchy to Democracy

Every government — every agency that engages in continual institutionalized property rights violations (expropriations) — is by its nature a territorial monopolist. There can be no "free entry" into the business of expropriations, because otherwise soon nothing would be left that could still be expropriated, and any form of *institutionalized* expropriation would thus become impossible. Under the assumption of self-interest, every government will use this monopoly of expropriation to its own advantage — in order to maximize its wealth and income. Hence every government should be expected to have an inherent tendency toward growth. And in maximizing its own wealth and income by means of expropriation, every government then represents a constant threat to the process of civilization — of falling time preferences and increasingly wider and longer provision — and an expanding source of decivilizing forces.

However, not every government prospers equally and produces decivilizing forces of the same strength. Different forms of government lead to different degrees of decivilization. Nor is every form of government, and every sequence of government forms, equally probable.

Given that all expropriation creates victims and victims cannot be relied upon to cooperate while being victimized, an agency that *institutionalizes* expropriation must possess legitimacy. A majority of the non-governmental public must regard the government's acts as just or at least as fair enough not to be resisted so as to render the victim defenceless.¹⁵ Yet to acquire legitimacy is not an easy task. For this reason, it is not likely, for instance, that a single world government could arise *ab ovo*. Instead, all governments must begin territorially small. Nor is it very likely, even for as small a population as that of a clan, a tribe, a village or a town, that a government will initially be democratic, for who would not rather trust a specific known individual — especially in as sensitive a matter as that of a territorial monopoly of expropriation — than an anonymous, democratically elected person! Having to begin small, the originally form of government is typically that of *personal* rule: of *private* ownership of the governmental apparatus of compulsion (monarchy).¹⁶

¹⁵ On the fundamental importance of favorable public opinion for the exercise of government power see the classic treatments by la Boetie-1975, with an introduction by Murray N. Rothbard, and Hume-1971. Thus, Hume writes (*Ibid.*, p. 19): "Nothing appears more surprising to those who consider human affairs with a philosophical eye, than the easiness with which the many are governed by the few, and the implicit submission, with which men resign their own sentiments and passions to those of their rulers. When we inquire by what means this wonder is effected we shall find, that as Force is always on the side of the governed, the governors have nothing to support them but opinion. It is, therefore, on opinion only that government is founded, and this maxim extends to the most despotic and most military governments, as well as to the most free and popular. The sultan of Egypt, or the emperor of Rome, might drive his harmless subjects, like brute beasts, against their sentiment and inclination. But he must, at least, have led his mamalukes or praetorian bands, like men, by their opinions." See also Mises-1966, pp. 463-464.

¹⁶ On the lengthy historical process of the acquisition of government power, and the primacy of monarchical rule, see de Jouvenel-1957, esp. ch. 10; de Jouvenel-1949; de Jouvenel-1987; Ruesstow-1980, esp. pp. 101-105.

In every society of any degree of complexity, specific individuals quickly acquire the status of an elite as a result of having diverse talents. Owing to achievements of superior wealth, wisdom, or bravery or a combination thereof, particular individuals command respect, and their opinions and judgments possess natural authority. As an outgrowth of this authority, members of the elite are most likely to succeed, typically via the monopolization of judicial services (courts and legislation) and law enforcement (police), in establishing a legitimate territorial monopoly of compulsion.¹⁷ And because they owe their privileged position to their personal elitist character and achievements, they will consider themselves and be regarded by their fellows as the monopoly's *personal owner*. Democratic rule where the government apparatus is considered "public" property administered by regularly elected officials who do *not* personally own and are not viewed as owning the government but as its temporary *caretakers* or *trustees* — typically only follows personal rule and private government ownership. Because masses or majorities cannot possibly possess natural authority (this being a personal, individual trait), democratic governments can acquire legitimacy only unnaturally — most typically through war or revolution. Only in activities such as war and revolution do masses act in concert and do victory and defeat depend on mass effort. And only under exceptional circumstances such as these can mass majorities gain the legitimacy needed to transform government into *public* property.

These two forms of government — private or public ownership of government (monarchy or democracy) — have systematically different effects on social time preference and the attending process of civilization, and with the transition from personal (monarchical) to democratic (public) rule in particular, contrary to conventional wisdom, the decivilizing forces inherent in any form of government are systematically strengthened.¹⁸

The defining characteristic of private government ownership and the reason for a personal ruler's relatively lower degree of time preference (as compared to criminals and democratic governments) is that the expropriated resources and the monopoly privilege of future expropriation are individually *owned*. The expropriated resources are added to the ruler's private estate and treated as if they were a part of it, and the monopoly privilege of future expropriation is attached as a title to this estate and leads to an instant increase in

¹⁷ On the ubiquity of natural authority see de Jouvenel-1957, ch.2. "All that was needed (for the formation of associations) was that some one man should feel within him a natural ascendancy and should then inspire others with trust in himself. ...when we can see every day associations forming all around us, why should we imagine them forming in the distant past in some different way? What makes leaders, now as always, is natural ascendancy — authority as such. We see them arising under our very eyes whenever there is a rescue to organize or a fire to put out." (*Ibid.*, pp. 31-32). And on the transition from authority to power de Jouvenel notes: "Power, however, is something very different from authority. The distinguishing mark of the latter is that it is exercised only over those who voluntarily accept it; if the rulers have authority over only a part of their subjects, they may receive from that part a strength sufficient to subject the others to their power. ... Authority ends where voluntary assent ends. There is in every state a margin of obedience which is won only by the use of force or the threat of force: it is this margin which breaches liberty and demonstrates the failure of authority. Among free peoples it is a very small margin, because there authority is very great." (*Ibid.*, pp. 32-33).

¹⁸ See on the following also the literature on the "tragedy of the commons", e.g. Hardin/Baden-1977. See also Olson-1993.

its present value ('capitalization' of monopoly profit). Most importantly, as the private owner of the government estate, the ruler is entitled to pass his possessions onto his personal heir. He may sell, rent or give away part or all of his privileged estate (and privately pocket the receipts from the sale or rental), and he may personally appoint or dismiss every administrator and employee of his estate.¹⁹

The institution of private government ownership systematically shapes the incentive structure confronting the ruler and distinctly influences his conduct of government affairs. Assuming no more than self-interest, the ruler tries to maximize his total wealth, *i.e.*, the present value of his estate *and* his current income. He would *not* want to increase current income at the expense of a more than proportional drop in the present value of his assets. And because acts of current income acquisition invariably have repercussions on present asset values (reflecting the value of all future expected asset earnings discounted by the rate of time preference), private ownership in and of itself leads to economic calculation and thus promotes farsightedness.

While this is true of private ownership generally, in the special case of the private ownership of *government* it implies a distinct moderation with respect to the ruler's drive to exploit his monopoly privilege of expropriation. For acts of expropriation are by their nature parasitic upon prior acts of production by the non-governmental public. Where nothing has first been produced, nothing can be expropriated, and where everything has been expropriated, all future production will come to a shrieking halt. Hence, a private owner of government — a king — would want to avoid taxing his subjects so heavily as to reduce his future earning potential to the extent that the present value of his estate — his kingdom — actually fell, for instance. Instead, to preserve or even enhance the value of his personal property, he would want to systematically restrain himself in his taxing policies. For the lower the degree of taxation, the more productive the subject population will be, and the more productive the population, the higher the value

¹⁹ According to this characterization of monarchy, present-day 'monarchies' such as Great Britain, the Netherlands, Belgium, Sweden, Norway, Denmark, or Spain are clearly monarchies in name only. In fact, they represent examples of what is here and in the following referred to as democracies. The term 'monarchy', as here defined, applies instead most appropriately to the form of government that characterized Europe through the end of the 18th century: the "ancien regime" — when, stimulated by the American and in particular the French Revolution and in a process that was not completed until after the end of World War I, monarchies were gradually transformed into democracies. Indeed, monarchy and democracy can be conceived of analytically as representing the two endpoints of a continuum, with various possible forms of government located at greater or lesser distances from one or the other extreme. Elective monarchies as they existed for periods of time in Poland, Bohemia, and Hungary, for instance, are obviously less monarchic than hereditary monarchies. Likewise, 'constitutional' monarchies are less monarchic than pre-constitutional ones. And 'parliamentary' monarchies may well have to be placed closer to a democracy than to a monarchy, or, with universal suffrage, they may be no monarchy at all. On the other hand, while a republican form of government implies by definition that the government apparatus is *not* privately but publicly owned (by 'the people'), and a republic thus possesses an inherent tendency to gravitate toward the adoption of universal suffrage, *i.e.*, *democratic* republicanism, not all republics are in fact equally close to democracy. For example, an aristocratic 'republic' such as that of the Dutch United Provinces before 1673 (when William of Orange was elected hereditary stadhouder) may actually have to be classified as a quasi-monarchy rather than a democracy. On the distinction between monarchy, republic, and democracy and their various historical manifestations see Kuehnelt-Leddihn-1990.

of the ruler's parasitic monopoly of expropriation will be. He will use his monopolistic privilege, of course. He will not *not* tax. But as the government's private owner, it is in his interest to draw — parasitically — on a growing, increasingly productive and prosperous non-government economy, as this would — always and without any effort on his part — also increase his own wealth and prosperity. Tax rates would thus tend to be low.²⁰

Further, it is in a personal ruler's interest to use his monopoly of law (courts) and order (police) for the enforcement of the pre-established private property law. With the sole exception of himself (for the non-government public and all of its internal dealings, that is), he will want to enforce the principle that all property and income should be acquired productively and/or contractually, and accordingly, he will want to threaten all private rule transgressions as crime with punishment. The less *private* crime there is, the more private wealth there will be and the higher will be the value of the ruler's monopoly of taxation and expropriation. In fact, a private ruler will not want to lean exclusively on *tax* revenue to finance his own expenditures. Rather, he will also want to rely on productive activities and allocate part of his estate to the production and provision of 'normal' goods and services, with the purpose of earning its owner a 'normal' (market) sales revenue.²¹

Moreover, private ownership of government implies moderation for yet another systematic reason. All private property is by definition exclusive property.

²⁰ Thus Cipolla-1980 concludes: "All in all, one must admit that the portion of income drawn by the public sector most certainly increased from the eleventh century onward all over Europe, but it is difficult to imagine that, apart from particular times and places, the public power ever managed to draw more than 5 to 8 percent of national income." (*Ibid.*, p. 48) He notes further (*ibid.*) that this portion was not systematically exceeded until the second half of the 19th century. See also the two following notes.

²¹ On the recognition of the pre-existing private property law by monarchs see de Jouvenel-1957, esp. chs. 10 and 11. "The attitude of the sovereign toward rights is expressed in the oath of the first French kings: 'I will honour and preserve each one of you, and I will maintain for each the law and justice pertaining to him.' When the king was called 'debtor for justice', it was no empty phrase. If his duty was *suum cuique tribuere*, the *suum* was a fixed *datum*. It was not the case of rendering to each what, in the plenitude of his knowledge, he thought would be best for him, but what belonged to him according to custom. Subjective rights were not held on the precarious tenure of grant but were freehold possessions. The sovereign's right also was a freehold. It was a subjective right as much as the other rights, though of a more elevated dignity, but it could not take the other rights away." (*Ibid.*, pp. 172-173) "The much-cited anecdote of Frederick the Great and the miller of Sans Souci faithfully represents the ancient state of affairs. The king's rights have incomparably greater scope than those of the miller; but as far as the miller's right goes it is as good as the king's; on his own ground, the miller is entitled to hold off the king. Indeed there was a deep-seated feeling that all positive rights stood or fell together; if the king disregarded the miller's title to his land, so might the king's title to his throne be disregarded. The profound if obscure concept of legitimacy established the solidarity of all rights." (*Ibid.*, p. 189). And on the funding of kings, de Jouvenel notes that "State expenditures, as we now call them, were thought of in feudal times as the king's own expenditures, which he incurred by virtue of his station. When he came into his station, he simultaneously came into an 'estate' (in the modern sense of the word); *i.e.*, he found himself endowed with property rights ensuring an income adequate to 'the king's needs'. It is somewhat as if a government of our own times were expected to cover its ordinary expenditures from the proceeds of state-owned industries." (*Ibid.*, p. 178). However, it remains worth emphasizing that *any* monopolization of law and order still implies higher prices and/or lower product quality than those prevailing under competitive conditions, and that even a king will still employ his monopoly of punishment to his own advantage: by shifting increasingly from the principle of restituting and compensating the *victim* of a rights violation to that of compensating himself, the king. See on this Benson-1992.

He who owns property is entitled to exclude everyone else from its use and enjoyment, and he is at liberty to choose with whom, if anyone, he is willing to share in its usage. Typically, a private property owner will include his family and exclude all others. The property becomes family property with him as the head of the family, and every non-family person will be excluded from using family property, except as invited guests or as paid employees or contractors. In the case of government, this exclusive character of private property takes on a special meaning. In this case it implies that everyone but the ruler and his family is excluded from benefiting from non productively acquired property and income. Only the ruling family — and to a minor extent its friends, employees and business partners — shares in the enjoyment of tax revenues and can lead a parasitic life. The position as head of government — and of the government estate — is typically passed on within the ruling family, such that no one outside the king's family can realistically hope to become the next king. While entrance into the ruling family might not be closed entirely, it is highly restrictive. It might be possible to become a family member through marriage. However, the larger the ruling family, the smaller each member's share in the government's total confiscations will be. Hence, marriage typically will be restricted to members of the ruler's extended family. Only in exceptional cases will a member of the ruling family marry a complete 'outsider'; and even if this occurs, a family member by marriage will not normally become the head of the ruling family.

Owing to these restrictions regarding entrance into government and the exclusive status of the individual ruler and his family (as king and nobles), private government ownership — monarchism — stimulates the development of a clear 'class consciousness' on the part of the governed public and promotes opposition and resistance to any expansion of the government's power to tax. A clear-cut distinction between the few rulers and the many ruled exists, and there is little or no risk or chance of a person's moving from one class to the other. Confronted with an almost insurmountable barrier to 'upward' mobility, solidarity among the ruled — their mutual identification as actual or potential victims of government property rights violations — is strengthened, and the ruling class' risk of losing its legitimacy as a result of increased taxation is accordingly heightened.²²

²² As de Jouvenel writes (de Jouvenel-1987): "A man of our time cannot conceive the lack of real power which characterized the medieval king, from which it naturally followed that in order to secure the execution of a decision he needed to involve other leaders whose say-so reinforced his own". (*Ibid.*, p. 113) "The king could not exact contributions, he could only solicit 'subsidies'. It was stressed that his loyal subjects granted him help of their free will, and they often seized this occasion to stipulate conditions. For instance, they granted subsidies to John the Good (of France), subject to the condition that he should henceforth refrain from minting money which was defective in weight. — In order to replenish his Treasury, the king might go on a begging tour from town to town, expounding his requirements and obtaining local grants, as was done on the eve of the Hundred Years' War; or he might assemble from all parts of the country those whose financial support he craved. It is a serious mistake to confuse such an assembly with a modern sitting of parliament, though the latter phenomenon has arisen from the former. The Parliament is sovereign and may exact contributions. The older assemblies should rather be thought of as a gathering of modern company directors agreeing to turn over to the Exchequer a part of their profits, with some trade union leaders present agreeing to part with some of their unions' dues for public purposes. Each group was called on for a grant, and each was thus well placed to make conditions. A modern parliament could not be treated like that, but would impose its will by majority vote." (de Jouvenel-1957, pp. 178-179) See also North/Thomas-1973, p. 96.

In fact, the class consciousness among the ruled exerts a moderating effect not only on the government's internal policies, but also on its conduct of external affairs. Every government must be expected to pursue an expansionist foreign policy. The larger the territory and the greater the population over which a monopoly of confiscation extends, the better off those in charge of this monopoly will be. Because only one monopoly of expropriation can exist in any given territory, this expansionary tendency must be expected to go hand in hand with a tendency toward centralization (with ultimately only one, world-wide government remaining). Moreover, because centralization implies reduced opportunities for interterritorial migration — of voting with one's feet against one's government and in favor of another —, the process of intergovernmental competition, of expansive elimination, should be expected to generate simultaneously a tendency toward increasingly higher rates of government expropriation and taxation.²³

However, a privately owned government significantly affects the form and pace of this process. Owing to its exclusive character and the correspondingly developed class consciousness of the ruled, government attempts at territorial expansion tend to be viewed by the public as the ruler's private business, to be financed and carried out with his own personal funds. The added territory is the king's, and so he, not the public, should pay for it. Consequently, of the two possible methods of enlarging his realm: war and military conquest or contractual acquisition, a private ruler tends to prefer the latter. It must not be assumed that he is opposed to war, for he may well employ military means if presented with an opportunity. But war typically requires extra-ordinary resources, and since higher taxes and/or increased conscription to fund a war perceived by the public as somebody else's will encounter immediate popular resistance and thus pose a threat to the government's internal legitimacy, a personal ruler will have to bear all or most of the costs of a military venture himself. Accordingly, he will generally prefer the second, peaceful option as the less costly one. Instead of through conquest, he will want to advance his expansionist desires through land purchases or, even less costly and still better, through a policy of inter-marriage between members of different ruling families. For a monarchical ruler, then, foreign policy is in large measure family and marriage policy, and territorial expansion typically proceeds via the contractual conjunction of originally independent kingdoms.²⁴

²³ On political decentralization — 'political anarchy' — as a constraint on government power and a fundamental reason for the evolution of markets and capitalism, as well as on the tendency toward political centralization — expansive elimination — and the accompanying tendency toward an increase in governments' taxing and regulatory powers see Baechler-1976, esp. ch. 7; Hoppe-1993a, esp. chs. 3 and 4; Hoppe-1992; Hoppe-1993c; also Rosenberg/Birdzell-1986.

²⁴ As a prominent example of this type of foreign policy, the case of the Habsburgs of Austria may be cited, whose conduct has been characterized by the motto 'bella gerunt illi; tu, felix Austria, nubes'. Maximilian I (1493-1519) "married the heiress of the dukes of Burgundy, who, over the past century, had acquired a number of provinces in the western extremities of the Holy Roman Empire — the Netherlands and the Free County of Burgundy, which bordered upon France. Maximilian by this marriage had a son Phillip, whom he married to Joanna, heiress to Ferdinand and Isabella of Spain. Phillip and Joanna produced a son Charles. Charles combined the inheritances of his four grandparents: Austria from Maximilian, the Netherlands and Free County from Mary of Burgundy, Castile and Spanish America from Isabella. Aragon and its Mediterranean and Italian possessions from Ferdinand. In addition, in 1519, he was elected Holy Roman Emperor and so became the symbolic head of all Germany." Palmer/Colton-1992, p. 74. On the limited and moderate character of monarchical wars see the discussion on democratic warfare below.

In contrast to the internal and external moderation of a monarchy, a democratic — publicly owned — government implies increased excess, and the transition from a world of kings to one of democratically elected presidents must be expected to lead to a systematic increase in the intensity and extension of government power and a significantly strengthened tendency toward decivilization.

A democratic ruler can use the government apparatus to his personal advantage, but he does not own it. He cannot sell government resources and privately pocket the receipts from such sales, nor can he pass government possessions onto his personal heir. He owns the *current use* of government resources, but not their capital value. In distinct contrast to a king, a president will want to maximize not total government wealth (capital values and current income) but current income (regardless and at the expense of capital values). Indeed, even if he wished to act differently, he *could not*, for as public property, government resources are unsaleable, and without market prices economic calculation is *impossible*. Accordingly, it must be regarded as unavoidable that public government ownership results in continual capital consumption. Instead of maintaining or even enhancing the value of the government estate, as a king would do, a president (the government's temporary caretaker or trustee) will use up as much of the government resources as quickly as possible, for what he does not consume *now*, he may *never* be able to consume. In particular, a president (as distinct from a king) has no interest in not ruining his country. For why would he *not* want to increase his confiscations if the advantage of a policy of moderation — the resulting higher capital value of the government estate — *cannot* be reaped privately, while the advantage of the opposite policy of higher taxes — a higher current income — can be so reaped? For a president, other than for a king, moderation offers only disadvantages.²⁵

²⁵ On the nature of public ownership and its inherent irrationality see also Rothbard-1977, pp. 172-184; Hoppe-1989, ch. 9. The fundamental difference between private ownership of government — and low time preference — and public ownership of government — and high time preference — may be further illustrated by considering the institution of slavery, and contrasting the case of private slave ownership, as it existed for instance in ante-bellum America, with that of public slave ownership, as it existed for instance in the former Soviet Union and its Eastern European empire. Just as privately owned slaves were threatened with punishment if they tried to escape, in all of the former Soviet empire emigration was outlawed and punished as a criminal offence, if necessary, by shooting those who tried to run away. Moreover, anti-loafing laws existed everywhere, and governments could assign any task and all rewards and punishments to any citizen. Hence the classification of the Soviet system as slavery. Unlike a private slave owner, however, Eastern European slave owners — from Lenin to Gorbachev — could not sell or rent their subjects in a labor market and privately appropriate the receipts from the sale or rental of their "human capital." Hence the system's classification as *public* (or socialist) slavery. Without markets for slaves and slave labor, matters are worse, not better, for the slave, for without prices for slaves and their labor, a slaveowner can no longer rationally allocate his "human capital". He cannot determine the opportunity-cost of using this capital in any given employment, nor compare it to the corresponding revenue. Accordingly, permanent misallocation, waste, and "consumption" of human capital results. The empirical evidence indicates as much. While it rarely happened that a private slaveowner killed his slave, which is the ultimate "consumption" of human capital, the socialist slavery of Eastern Europe resulted in millions of murdered civilians. Under private slave ownership the health and life expectancy of slaves generally increased. In the Soviet Empire health-care standards steadily deteriorated and life expectancies actually declined in recent decades. The level of practical training and education of private slaves generally rose. That of socialist slaves fell. The rate of reproduction among privately owned slaves was positive. Among the slave populations of Eastern Europe it was generally negative. The rates of suicide, self-incapacitation, family breakups, promiscuity, "illegitimate" births, birth defects, venereal

Moreover, with public instead of private government ownership the second reason for moderation is also gone: the clear and developed class-consciousness of the ruled. There can always be only one supreme ruler, whether king or president. Yet while entrance into the position of king and a promotion to the rank of nobility is systematically restricted under a monarchy, in a publicly owned government anyone, in principle, can become a member of the ruling class — or even president. The distinction between the rulers and the ruled is blurred, and the class-consciousness of the ruled fuzzy. The illusion even arises that such a distinction no longer exists: that with a democratic government no one is ruled by anyone but everyone instead rules himself. Indeed, it is largely due to this illusion that the transition from monarchy to democracy could be interpreted as progress and hence, as deserving public support. Accordingly, public resistance against government power is systematically weakened. While expropriation and taxation before may have appeared clearly oppressive and evil to the public, they seem much less so, mankind being what it is, once anyone may freely enter the ranks of those who are at the receiving end. Consequently, taxes will increase, be it directly in the form of higher tax rates or indirectly in that of increased governmental money 'creation' (inflation). Likewise government employment and the ratio of government employees ('public servants') to private employees tends to rise, attracting and promoting individuals with high degrees of time preference and low and limited farsightedness.²⁶

... following footnote 25

disease, abortion, alcoholism, and dull or brutish behavior among private slaves were high. But all such rates of "human capital consumption" were higher still for the socialist slaves of the former Soviet Empire. Similarly, while morally senseless and violent behavior among privately owned slaves occurred after their emancipation, the brutalization of social life in the aftermath of the abolition of socialist slavery has been far worse, revealing an even greater degree of moral degeneration. See also Hoppe-1993b, p. 6.

²⁶ As Bertrand de Jouvenel explains (de Jouvenel-1949, pp. 9-10): "From the twelfth to the eighteenth century governmental authority grew continuously. The process was understood by all who saw it happening: it stirred them into incessant protest and to violent reaction. In later times its growth has continued at an accelerated pace, and its extension has brought a corresponding extension of war. And now we no longer understand the process, we no longer protest, we no longer react. The quiescence of ours is a new thing, for which Power has to thank the smoke-screen in which it has wrapped itself. Formerly it could be seen, manifest in the person of the king, who did not disclaim being the master he was, and in whom human passions were discernible. Now, masked in anonymity, it claims to have no existence of its own, and to be but the impersonal and passionless instrument of the general will — but that is clearly a fiction — today as always Power is in the hands of a group of men who control the power house. All that has changed is that it has now been made easy for the ruled to change the personnel of the leading wielders of Power. Viewed from one angle, this weakens Power, because the wills which control a society's life can, at the society's pleasure, be replaced by other wills, in which it feels more confidence. But by opening the prospect of Power to all the ambitious talents, this arrangement makes the extension of Power much easier. Under the 'ancien regime', society's moving spirits, who had, as they knew, no chance of a share in Power, were quick to denounce its smallest encroachment. Now, on the other hand, when everyone is potentially a minister, no one is concerned to cut down an office to which he aspires one day himself, or to put sand in a machine which he means to use himself when his turn comes. Hence it is that there is in the political circles of a modern society a wide complicity in the extension of power." In fact, during the entire monarchical age until the second half of the 19th century, which represents the turning point in the historical process of demarchization and democratization beginning with the French Revolution and ending with World War I, the tax burden rarely exceeded 5 percent of national product (see also footnote 20 above). Since then it has constantly increased. In Western Europe it stood at 15 to 20 percent of national product after WW I, and in the meantime it has risen to around 50 percent. Likewise, during the entire monarchical age, until the latter half of the 19th century, government employment rarely exceeded 2 percent of the labor force. Since then it has steadily increased, and today it typically makes up 15 to 20 percent. See for details Flora-1983, chs. 5 and 8.

The combination of these interrelated factors — 'public' ownership and free entry into government — significantly alters a government's conduct of internal and external affairs. Internally, the government will exhibit an increased tendency to incur debt. While a king is by no means opposed to debt, he is constrained in this 'natural' inclination by the fact that as the government's private owner, he and his heirs are considered personally liable for the payment of all government debts (he can literally go bankrupt). In distinct contrast, a presidential government caretaker is not held liable for debts he incurs. Rather, his debts are considered 'public', to be repaid by future (equally non-labile) governments. If one is not held personally liable for one's debts, however, the debt load will rise, and present government consumption will be expanded at the expense of future government consumption. In order to repay a rising public debt, the level of future taxes (or monetary inflation) imposed on a future public will have to increase. And with the expectation of a higher future tax burden, the non-government public also becomes affected by the incubus of rising time preference degrees, for with higher future tax rates, present consumption and short-term investment are rendered relatively more attractive as compared to saving and long-term investment.²⁷

More importantly still, the government's conduct as the monopolist of law and order will undergo a systematic change. As explained above, a king will want to enforce the pre-existing private property law, and notwithstanding his own exceptional status vis-a-vis some of its key provisions, he, too, will assume and accept private property notions for himself and his possessions (at least insofar as international king-to-king relations are concerned). He does not create new law but merely occupies a privileged position within an existing, all-encompassing system of private law. In contrast, with a 'publicly' owned and administered

²⁷ The difficulties encountered by monarchical rulers in securing loans are notorious (see also footnote 24 above); and kings typically had to pay above-average rates of interest reflecting their comparatively high default risk. (See North/Thomas-1973, p. 96.) In contrast, democratic governments, as they came into full bloom with the end of WW I, have indeed demonstrated a constant tendency toward deficit-financing and increasing debts. Today, the 'national debts' in Western Europe and the 'Western World' rarely amount to less than 30 percent of national product and frequently exceed 100 percent. Likewise, and directly related, the monarchical world was generally characterized by the existence of a commodity money — typically gold or silver — and with the establishment of a single, integrated world market in the course of the 17th and 18th centuries, by an international gold standard. A commodity money standard makes it difficult for a government to inflate the money supply. By monopolizing the mint and engaging in systematic "coin clipping" (currency depreciation), kings did their best to enrich themselves at the expense of the public. But as much as they tried, they did not succeed in establishing monopolies of *pure fiat currencies* of irredeemable national paper monies that can be created virtually out of thin air, at practically no cost. No particular individual, not even a king, could be trusted with an extraordinary monopoly such as this! Instead, it was only under conditions of democratic republicanism in the aftermath of WW I that the gold standard was abolished and at long last replaced with a worldwide system of irredeemable national paper monies in 1971. Since then, the supply of money and credit has increased dramatically. A seemingly permanent 'secular' tendency toward inflation and currency depreciation has come into existence. Government deficit financing has turned into a mere banking technicality, and interest rates — as an indicator for the social rate of time preference — which had continuously declined for centuries and by the end of the 19th century had fallen to around 2 percent, have since exhibited a systematic upward tendency.

See also Rothbard-1992; Rothbard-1983; on the history of interest rates Homer/Sylla-1991, esp. ch. XXIII, pp. 553-558.

government a new type of 'law' emerges: 'public' law, which exempts government agents from personal liability and withholds 'publicly owned' resources from economic management. With the establishment of 'public law' (including constitutional and administrative law) not merely as law but as a 'higher' law, a gradual erosion of private law ensues; that is, there is an increasing subordination and displacement of private law by and through public law.²⁸

Rather than upholding private law among the non-government public and exploiting its legal monopoly solely for the purpose of redistributing wealth and income from civil society onto itself, a government 'ruled' by public law will also employ its power increasingly for the purpose of legislation, *i.e.*, for the creation of new, 'positive' civil law, with the intent of redistributing wealth and income *within* civil society. For as a government's caretaker (not owner) it is of little or no concern to him that any such redistribution can only reduce future productivity. Confronted with popular elections and free entry into government, however, the advocacy and adoption of redistributive policies is pre-destined to become the very prerequisite for anyone wanting to attain or retain a government caretaker position. Accordingly, rather than representing a 'consumption state' (as the typical monarchy does), with public government ownership, complementing and reinforcing the over-all tendency toward rising taxes (and/or inflation), government employment and debt, the state will become increasingly transformed into a 'welfare state'.²⁹ And contrary to its typical portrayal as a 'progressive'

²⁸ In fact, although undermined by the Renaissance and the Protestant Revolutions, throughout the monarchical age the notion prevailed that kings and their subjects were ruled by a single, universal law — "a code of rules anterior to and co-existent with the sovereign — rules which were intangible and fixed." (de Jouvenel-1957, p. 193) Law was considered something to be discovered and recognized as eternally 'given', not something to be 'made'. It was held that law could not be legislated, but only applied as something that had always existed. (Rehfeld-1951, p. 67) Indeed, as late as the beginning of the 20th century, A.V. Dicey (Dicey-1903) could still maintain that as for Great Britain, public or administrative law, as distinct from private law, did not exist: Government agents, in their relationship with private citizens, were still regarded as bound by the same rules and subject to the same laws as any private citizen. It is again only after WW I, under democratic republicanism, that public agents achieve 'immunity' from the provisions of private law, and that a view such as the leading socialist legal theorist Gustav Radbruch's found general acceptance: that "for an individualistic order of law public law, the state, is only the narrow protective belt surrounding private law and private property. In contrast, for a social [democratic republican] order of law private law is to be regarded only as a provisional and constantly decreasing range of private initiative, temporarily spared within the all-comprehensive sphere of public law." (Radbruch-1957, p.40) In the meantime, "in our own day we are used to having our rights modified by the sovereign decisions of legislators. A landlord no longer feels surprised at being compelled to keep a tenant; an employer is no less used to having to raise the wages of his employees in virtue of the decrees of Power. Nowadays it is understood that our subjective rights are precarious and at the good pleasure of authority." (de Jouvenel-1957, p. 189). On the distinction between law and legislation see also Leoni-1961; Hayek-1973, chs. 4 and 6.

²⁹ Until the end of the 19th century, the bulk of public spending — often more than 50 percent — typically went to financing the army (which, assuming government expenditures to be 5 percent of national product, amounted to military expenditures of 2.5 percent of national product). The rest went to government administration. Welfare spending or 'public charity' played almost no role. In contrast, under democratic republicanism military expenditures have typically risen to 5-10 percent of national product. But with public expenditures making up 50 percent of national product, military expenditures now only represent 10 to 20 percent of total government spending. The bulk of public spending, typically more than 50 percent of total expenditures — and 25 percent of the national product — now is eaten up by public welfare spending. See also Cipolla-1980, pp. 54-55; Flora-1983, ch. 8.

development, with this transformation the virus of rising degrees of time preference will be planted in the midst of civil society, and a self-accelerating process of decivilization will be set in motion.³⁰

The legislatively enacted redistribution of income and wealth within civil society can essentially take on three forms. It can take the form of simple transfer payments, in which income and/or wealth is taken from Peter (the 'haves') and doled out to Paul (the 'have-nots'). It can take the form of 'free' or below-cost provisions of goods and services (such as education, health care, or infrastructure) by government, in which income and/or wealth is confiscated from one group of individuals — the taxpayers and handed out to another, non-identical one — the users of the respective goods and services. Or it can take the form of business and/or consumer regulations or 'protection laws' (such as price controls, tariffs, or licensing requirements), whereby the wealth of the members of one group of businessmen or consumers is increased at the expense of a corresponding loss for those of another 'competing' group (by imposing legal restrictions on the uses which the latter are permitted to make of their private properties). Regardless of its specific form, however, any such redistribution has a two-fold effect on civil society. First, the mere fact of legislation — of democratic law making — increases the degree of uncertainty. Rather than being immutable and hence predictable, law becomes increasingly flexible and unpredictable. What is right and wrong today may not be so tomorrow. The future is thus rendered more haphazard. Consequently, all around time preference degrees will rise, consumption and short-term orientation will be stimulated, and at the same time the respect for all laws will be systematically undermined and crime promoted (for if there is no immutable standard of 'right', then there is also no firm definition of 'crime')³¹

³⁰ Most important among the policies affecting social time preference is the introduction of "social security" legislation, as it was introduced during the 1880's in Bismarck's Germany and then became universal throughout the Western world in the aftermath of WW I. By relieving an individual of the task of having to provide for his own old age, the range and the temporal horizon of private provisionary action will be reduced. In particular, the value of marriage, family, and children will fall because they are less needed if one can fall back on 'public' assistance. Indeed, since the onset of the democratic-republican age, all indicators of 'family dysfunction' have exhibited a systematic upward tendency: the number of children has declined, the size of the endogeneous population has stagnated or even fallen, and the rates of divorce, illegitimacy, single parenting, singledom, and abortion have risen. Moreover, personal savings rates have begun to stagnate or even decline rather than rise proportionally or even overproportional with rising incomes. See Carlson-1992; Carlson-1991; Christensen-1992; also Schumpeter-1942, ch. 14.

³¹ On the relationship between time preference and crime see Wilson/Hermstein-1985, pp. 49-56 and pp. 416-422; Banfield-1974; Banfield-1977. While high time preference is by no means equivalent with crime — it also may find expression in such perfectly legal forms as personal recklessness, insensitivity, rudeness, unreliability, or untrustworthiness — a systematic relationship between them still exists, for in order to earn a market income a certain minimum of planning, patience and sacrifice is required: one must first work for a while before one gets paid. In contrast, specific criminal activities such as murder, assault, rape, robbery, theft, and burglary require no such discipline: the reward for the aggressor is tangible and immediate whereas the sacrifice — possible punishment — lies in the future and is uncertain. Accordingly, if the degree of social time preference is increased, it can be expected that the frequency of aggressive activities will rise. Explains Banfield (*ibid.*, pp. 140-141): "The threat of punishment at the hands of the law is unlikely to deter the present-oriented person. The gains that he expects from the illegal act are very near to the present, whereas the punishment that he would suffer — in the unlikely event of his being both caught and punished — lies in a future too distant for him to

Secondly, any income or wealth redistribution within civil society implies that the recipients are made economically better off without having produced either more or better goods or services, while others are made worse off without their having produced quantitatively or qualitatively less. Not producing, not producing anything worthwhile, or not correctly predicting the future and the future exchange-demand for one's products thus becomes relatively more attractive (or less prohibitive) as compared to producing something of value and predicting the future exchange-demand correctly. Consequently — and regardless of the specific legislative intent, be it to 'help' or 'protect' the poor, the unemployed, the sick, the young or the old, the uneducated or the stupid, the farmers, steelworkers or truckers, the uninsured, the homeless, whites or blacks, the married or unmarried, those with children or those without, etc., — there will be more people producing less and displaying poor foresight, and fewer people producing more and predicting well. For if individuals possess even the slightest control over the criteria that 'entitle' a person to be either on the receiving or on the 'giving' end of the redistribution, they increasingly will shift out of the latter roles and into the former. There will be more poor, unemployed, uninsured, uncompetitive, homeless, and so on, than otherwise. Even if such a shift is not possible, as in the case of sex-, race-, or age-based income or wealth redistribution, the incentive to be productive and farsighted will still be reduced. There may not be more men or women, or whites or blacks, at least not immediately. However, because the members of the privileged sex, race, or age group are awarded an unearned income, they have less of an incentive to earn one in the future, and

... following footnote 31

take into account. For the normal person there are of course risks other than the legal penalty that are strong deterrents: disgrace, loss of job, hardship for wife and children if one is sent to prison, and so on. The present-oriented person does not run such risks. In his circle it is taken for granted that one gets 'in trouble' with the police now and then; he need not fear losing his job since he works intermittently or not at all, and as for his wife and children, he contributes little or nothing to their support and they may well be better off without him." On the magnitude of the increase in criminal activity brought about by the operation of democratic republicanism in the course of the last hundred years as a consequence of steadily increased legislation and an ever expanding range of 'social', as opposed to private, responsibilities — see McGrath-1984, esp. ch. 13. Comparing crime in some of the wildest places of the American "Wild West" — two frontier towns and mining camps in California and Nevada — to that of some of the wilder places of the present age, McGrath sums up thus: The frontier towns "Bodie and Aurora actually suffered rarely from robbery... today's cities, such as Detroit, New York, and Miami, have 20 times as much robbery per capita. The United States as a whole averages three times as much robbery per capita as Bodie and Aurora. — Burglary and theft were also of infrequent occurrence in the mining towns. Most American cities today average 30 or 40 times as much burglary and theft per capita as Bodie and Aurora. The national rate is ten times higher. ... There were no reported cases of rape in either Aurora or Bodie. ... Today, a rape occurs every five minutes... More than 4,100 of them occur in Los Angeles county alone... The rape rate in the United States per 100,000 inhabitants is 42. ... [Violence, including homicide, was frequent in Bodie and Aurora] but the men involved were both young, healthy, armed, and willing. ... Yes, men (and some women) went about armed and male combatants killed each other, mostly in fights where there were somewhat 'even chances'. On the other hand, the young, the old, the female, and those who chose not to drink in saloons and display reckless bravado were rarely the victims of crime or violence. Moreover, dirty, low-down scoundrels got their just desert. ... In the early 1950's the city of Los Angeles averaged about 70 murders a year. Today the city averages more than 90 murders a month... In 1952 there were 572 rapes reported to the LAPD. In 1992 there were 2,030 reported. During the same years robbery increased from a reported total of 2,566 to 39,508, and auto theft from 6,241 to 68,783." McGrath-1994, pp. 17-18.

because the members of the discriminated sex, race, or age group are punished for possessing wealth or having produced an income, they, too, will be less productive in the future. In any case, there will be less productive activity, self-reliance and future-orientation, and more consumption, parasitism, dependency and short-sightedness. That is, the very problem that the redistribution was supposed to cure will have grown even bigger. Accordingly, the cost of maintaining the existing level of welfare distribution will be higher now than before, and in order to finance it, even higher taxes and more wealth confiscation must be imposed on the remaining producers. The tendency to shift from production to non-production activities will be further strengthened, leading to continuously rising time preference rates and a progressive decivilization — infantilization and demoralization — of civil society.³²

In addition, with public ownership and free entry into government (democratic republicanism instead of monarchism) the foreign policy changes as well. All governments have to be expected to be expansionary, as explained above, and there is no reason to assume that a president's expansionary desires will be any less than a king's. However, while a king may satisfy this desire through marriage, this route is essentially precluded for a president. He does not own the government controlled territory hence, he cannot contractually combine separate territories. And even if he concluded intergovernmental treaties, these would not possess the status of contracts but constitute at best only temporary pacts or alliances, because as agreements concerning publicly owned resources, they could be revoked at any time by other future governments. If a democratic ruler and a democratically elected ruling elite want to expand their territory and hence their tax base, then no option but a military one of conquest and domination is open to them. Hence, the likelihood of war will be significantly increased.³³

Moreover, apart from its likelihood, the form of war will change, too. Kings have to fund their wars largely out of private funds because of a clear and developed class consciousness among the ruled, and their wars thus tend to be limited. The public views monarchical wars generally as private conflicts between

³² On the 'logic' of government interventionism — its counterproductivity, inherent instability, and 'progressive' character — see Mises-1977; Mises-1966, part six. For empirical illustrations of the decivilizing and demoralizing effects of redistributive policies see Banfield-1984.

³³ Prior to and long after the onset of the democratic-republican transformation of Europe with the French (and the American) Revolution, most prominent social philosophers — from Montesquieu, Rousseau, Kant, Say, to J.S. Mill — had essentially contended "That it was only the ruling classes (the king, the nobility) who wanted war, and that 'the people', if only they were allowed to speak for themselves, would opt enthusiastically for peace." Howard-1978, chs. 1 and 2, *ibid.*, p. 45. Indeed, Immanuel Kant, in his Perpetual Peace of 1795, claimed a republican constitution to be the prerequisite for perpetual peace. For under a republican constitution, "when the consent of the citizens is necessary to decide whether there shall be war or not, nothing is more natural than that, since they would have to decide on imposing all of the hardships of war onto themselves, they will be very hesitant to begin such an evil adventure. In contrast, under a constitution where the subject is not a citizen, which is thus not republican, it is the easiest thing in the world, because the sovereign is not a citizen of the state but its owner, his dining, hunting, castles, parties, etc., will not suffer in the least from the war, and he can thus go to war for meaningless reasons, as if it were a pleasure trip." Kant-1964, pp. 205f. In fact the opposite is true: the substitution of a republic for a monarchy does not imply less government power, or even self-rule. It implies the replacement of bad Private government administration by worse Public government administration. On the illusory character of Kant's and others' views to the contrary and the 'positive' historical correlation between democracy and increased militarization and war, see Howard-1978; Howard-1976; Fuller-1969; Fuller-1985. See also footnote 33 below.

different ruling families, and kings are thus compelled to recognize a distinction between combatants and non-combatants and to target their war efforts specifically against each other and their respective private properties. In contrast, democratic wars tend to be total wars. In blurring the distinction between the rulers and the ruled, a democratic republic strengthens the identification of the public with a particular state. Indeed, while dynastic rule promotes the identification with one's own family and community and the development of a 'cosmopolitan' outlook and attitude,³⁴ democratic republicanism inevitably leads to nationalism, *i.e.*, the emotional identification of the public with large, anonymous groups of people, characterized in terms of a common language, history, religion and/or culture and in contradistinction to other, foreign nations. Interstate wars thus turn into national wars. Rather than representing 'merely' violent dynastic property disputes, which may be 'resolved' through acts of territorial occupation, they become battles between different ways of life, which can only be 'resolved' through cultural, linguistic or religious domination and subjugation (or extermination). It will be more and more difficult for members of the public to remain neutral or to extricate themselves from all personal involvement. Resistance against higher taxes to fund a war is increasingly considered treachery or treason. Conscription becomes the rule, rather than the exception. And with mass armies of cheap and hence easily disposable conscripts fighting for national supremacy (or against national suppression) backed by the economic resources of the entire nation, all distinctions between combatants and non-combatants will fall by the wayside, and wars will become increasingly brutal.³⁵

³⁴ As the result of marriages, bequests, inheritances, etc., royal territories were often discontinuous, and kings frequently came to rule linguistically and culturally distinct populations. Accordingly, they found it in their interest to speak several languages: universal ones such as Latin, and then French, as well as local ones such as English, German, Italian, Russian, Dutch, Czech etc. (See Vale-1988, pp. 322-323) Likewise the small social and intellectual elites were usually proficient in several languages and thereby demonstrated their simultaneously local and supra-local, or cosmopolitan intellectual orientation. This cosmopolitan outlook came to bear in the fact that throughout the monarchical age until 1914, Europe was characterized by a nearly complete freedom of migration. "A man could travel across the length and breadth of the Continent without a passport until he reached the frontiers of Russia and the Ottoman empire. He could settle in a foreign country for work or leisure without formalities except, occasionally, some health requirements. Every currency was as good as gold." Taylor-1966, p. 7. - In contrast, today in the age of democratic republicanism, it has become unthinkable that one might be ruled by a "foreigner", or that states could be anything but contiguously extended territories. States are defined by their citizen, and citizens in turn are defined by their state passports. International migration is strictly regulated and controlled. Political rulers and the intellectual elite, far more numerous now, are increasingly ignorant of foreign languages. It is no coincidence that of all the members of the European Parliament only Otto von Habsburg, the current family head of the former Habsburg rulers, has command of all the parliament's official business languages. For a prominent, highly apologetic historical treatment of the transition from cosmopolitanism to nationalism in 19th century Germany, see Meinecke-1970.

³⁵ Thus concludes J.F.C. Fuller (Fuller-1969, pp. 26-27): "The influence of the spirit of nationality, that is of democracy, on war was profound, ... (it) emotionalized war and, consequently, brutalized it; ... In the eighteenth century wars were largely the occupation of kings, courtiers and gentlemen. Armies lived on their depots, they interfered as little as possible with the people, and as soldiers were paid out of the king's privy purse they were too costly to be thrown away lightly on massed attacks. The change came about with the French Revolution, sans culottism replaced courtiership, and as armies became more and more the instruments of the people, not only did they grow in size but in ferocity. National armies fight nations, royal armies fight like, the first obey a mob - always demented, the second a king - generally sane. ... All this developed out of the French Revolution, which also gave to the world

5. Retrospectives and Prospects

The process of civilization set in motion by individual saving, investment, and durable consumer and capital goods accumulation — of gradually falling time preferences and an ever widening and lengthening range and horizon of private provisions — may be temporarily upset by crime. But because a person is permitted to defend himself against crime, the existence of criminal activities does not alter the direction of the process. It merely leads to more defense spending and less non-defense spending.

Instead, a change in direction — stagnating or even rising time preferences — can be brought about only if property rights violations become *institutionalized*, i.e., in the environment of a government. Yet whereas all governments must be assumed to have a tendency toward internal growth as well as territorial expansion (political centralization), not all forms of government can be expected to be equally successful in their endeavors. If the government is privately owned — under monarchical rule — the incentive structure facing the ruler is such that it is in his self-interest to be relatively farsighted and only engage in moderate taxation and warfare. The speed of the process of civilization will be slowed down systematically. However, the decivilizing forces arising from monarchical rule may be expected insufficiently strong to overcome the fundamental, countervailing tendency toward falling time preference rates and ever expanding ranges of private provisions. Rather, it is only when a government is *publicly owned* — under democratic-republican rule that the decivilizing effects of government can be expected to grow strong enough to actually halt the civilizing process, or even to alter its direction and bring about an opposite tendency toward de-civilization: capital consumption, shrinking planning horizons and provisions, and a progressive infantilization and brutalization of social life.

Retrospectively, in light of these theoretical conclusions much of modern European and Western history can be rationally reconstructed and understood. In

... following footnote 35

conscription — herd warfare, and the herd coupling with finance and commerce has begotten new realms of war. For when once the whole nation fights, then is the whole national credit available for the purposes of war." — Monarchical wars, Fuller quotes Daniel Defoe (Fuller-1992) often had "armies of fifty thousand men of a side stand at bay within view of one another, and spend a whole campaign in dodging, or, as it is genteely called, observing one another, and then march off into winter quarters." Similarly comments Sir John Fontescue quoted *ibid.*, p. 25: "To force an enemy to consume his own supplies was much, to compel him to supply his opponents was more, to take up winter-quarters in his territory was very much more. Thus to enter an enemy's borders and keep him marching backwards and forwards for weeks without giving him a chance of striking a blow, was in itself no small success." In contrast, with republicanism and democracy comes conscription. Formerly it had been argued that since one had no vote in the state, one should not be forced to fight its wars. Now the argument was reversed. Because one had the right to vote, one was compelled to fight. "Conscription changed the basis of warfare. Hitherto soldiers had been costly, now they were cheap; battles had been avoided, now they were sought, and however heavy were the losses, they could rapidly be made good by the musterroll. ... From August [of 1793, when the parliament of the French republic decreed universal compulsory military service] onward, not only was war to become more and more unlimited, but finally total. In the fourth decade of the twentieth century life was held so cheaply that the massacre of civilian populations on wholesale lines became as accepted a strategical aim as battles were in previous wars. In 150 years conscription had led the world back to tribal barbarism." *ibid.*, p. 35, p. 33.

the course of one and a half centuries — beginning with the American and French Revolutions and ending with the end of World War I and continuing to the present — Europe, and in its wake the entire western world, underwent an epochal transformation. Everywhere, monarchical rule and sovereign kings were replaced by democratic-republican rule and sovereign 'peoples'.³⁶

The first direct attack by republicanism and popular sovereignty on the monarchical principle was repelled with the military defeat of Napoleon and the restoration of the Bourbon rule in France. As a result of the Napoleonic experience, during much of the 19th century republicanism was widely discredited. "Republicanism was still thought to be violent — bellicose in its foreign policy, turbulent in its political workings, unfriendly to the church, and socialistic or at least equalitarian in its view of property and private wealth."³⁷ Still, the democratic republican spirit of the French Revolution left a permanent imprint. From the restoration of the monarchical order in 1815 until the outbreak of World War I in 1914, popular political participation and representation was systematically expanded all across Europe. Everywhere the franchise was successively widened, and the powers of popularly elected parliaments were gradually increased.³⁸

Nonetheless, although increasingly emasculated, the monarchical principle remained dominant until the cataclysmic events of WW I. Before the war only two republics existed in Europe: Switzerland and France. Only four years later, after the United States government had entered the European war and decisively determined its outcome, monarchies had all but disappeared, and Europe had turned to democratic republicanism.

With the involvement of the U.S., the war took on a new dimension. Rather than an old-fashioned territorial dispute, as was the case before 1917, it turned into an ideological war. The U.S. had been founded as a republic, and the democratic principle in particular, inherent in the idea of a republic, had only recently been carried to victory as the result of the violent defeat and devastation of the secessionist Confederacy by the centralist Union government. At the time of WW I, this triumphant ideology of an expansionist democratic republicanism had found its very personification in then U.S. President Woodrow Wilson. Under Wilson's administration the European war became an ideological mission — to make the world safe for democracy and free of dynastic rulers.³⁹ Hence, the defeated Romanovs, Hohenzollerns, and Habsburgs had to abdicate or resign, and Russia, Germany, and Austria became democratic republics with universal — male and female — suffrage and parliamentary governments. Likewise, all of the newly created successor states — Poland, Finland, Estonia, Latvia, Lithuania, Hungary, and Czechoslovakia, with the exception only of Yugoslavia — adopted democratic republican constitutions. In Turkey and Greece the monarchies were overthrown.

³⁶ On the historical significance and the revolutionary character of this transformation see Ferrero-1933/69, esp. pp. 155ff; Ferrero-1944; Palmer/Colton-1978. On the intellectual debate on the idea of popular sovereignty, and universal suffrage, in particular in Great Britain, see Halevy-1955, esp. pp. 120-150.

³⁷ Palmer/Colton-1992, p. 606.

³⁸ For the details of this process see Flora-1983, ch. 3.

³⁹ On the U.S. war involvement see Fuller-1992, ch. IX; on the role of Woodrow Wilson in particular see Rothbard-1989; Gottfried-1990.

And even where monarchies remained in existence, as in Great Britain, Italy, Spain, Belgium, the Netherlands, and the Scandinavian countries, monarchs no longer exercised any governmental power. Everywhere, universal adult suffrage was introduced, and all government power was invested in parliaments and 'public' officials.⁴⁰ A new era — the democratic republican age under the aegis of a dominating U.S. government had begun.

From the viewpoint of economic theory, the end of WW I can be identified as the point in time at which private government ownership was completely replaced by public government ownership, and from whence a tendency toward rising degrees of social time preference, government growth, and an attending process of decivilization should be expected to have taken off. Indeed, as indicated in detail above, such has been the grand underlying theme of 20th century Western history.⁴¹ Since 1918, practically all indicators of high or rising time preferences have exhibited a systematic upward tendency: As far as government is concerned, democratic republicanism produced communism — and with this public slavery and government sponsored mass murder even in peacetime —, fascism, national socialism and, lastly and most enduringly, social democracy ('liberalism').⁴² Compulsory military service has become almost universal, foreign and civil wars have increased in frequency and in brutality, and the process of political centralization has advanced further than ever before. Internally, democratic republicanism has led to permanently rising taxes, debts, and public employment. It has led to the destruction of the gold standard, unparalleled paper money inflation, and increased protectionism and migration controls. Even the most fundamental private law provisions have been perverted by an unabating flood of legislation and regulation. Simultaneously, as regards civil society, the institutions of marriage and family have been increasingly weakened, the number of children has declined, and the rates of divorce, illegitimacy, single parenthood, singledom, and abortion have increased. Rather than rising with rising incomes, savings rates have been stagnating or even falling. In comparison to the 19th century, the cognitive prowess of the political and intellectual elites and the quality of public education have declined. And the rates of crime, structural unemployment, welfare dependency, parasitism, negligence, recklessness, uncivility, psychopathy, and hedonism have increased.

Today, at the end of the 20th century, democratic republicanism in the U.S. and all across the Western world has apparently exhausted the reserve fund that was inherited from the past. For decades, real incomes have stagnated or even fallen.⁴³

⁴⁰ Interestingly, the Swiss republic, which was the first country to firmly establish the institution of universal suffrage for males above the age of 20 (1848), was the last to expand the suffrage also to women (1971).

⁴¹ On the world-wide growth of statism since WW I see Johnson-1983; on U.S. government growth, and its relation to war, see Higgs-1987.

⁴² On the common historical roots of Soviet communism, and of fascism and national socialism as "tyrannies" (literally: 'arbitrary powers, the holders of which claim to use it for the people and in fact appeal to the people, for support') — in WW I, and on the 'primary' character of the former and the 'derivative' of the latter, see Halevy-1965.

⁴³ For an analysis of U.S. data see Batemarco-1987.

The public debt and the cost of the existing social security systems have brought on the prospect of an imminent economic meltdown. At the same time, social conflict and societal breakdown have risen to dangerous heights. Thus, at long last, the question arises: Can anything be done to prevent the process of decivilization from running its full course to an outright economic and social catastrophe?

Above all, the idea of democracy and democratic rule must be delegitimized! Ultimately, the course of human history is determined by *ideas*, be they true or false. Just as kings could not exercise their rule unless a majority of public opinion accepted such rule as legitimate, so democratic rulers cannot last without ideological support in public opinion. Likewise, the *transition* from monarchical to democratic rule has to be explained as fundamentally nothing but a *change* in public opinion: Until the end of WW I, the overwhelming majority of the public in Europe accepted monarchical rule as legitimate.⁴⁴ Today, hardly anyone would do so. Indeed, the idea of monarchical government is considered risible. Accordingly, a *return* to the 'ancien regime' has to be regarded as impossible. The legitimacy of monarchical rule appears to have been irretrievably lost. Nor would such a return be a genuine solution. Rather, the idea of democratic republican rule must be rendered equally if not more laughable (not the least by identifying it as the source of the ongoing process of decivilization). It must be made clear that it is not government (monarchical *or* democratic), but private property, and the recognition and defense of private property rights, which is the ultimate source of human civilization. And strategically — in order to promote the delegitimation of democracy and at the same time advance the supreme legitimacy of private property, contractualism, and individual responsibility — ideological support should be given to all decentralizing or even secessionist social forces. For a territorially smaller government makes for moderation, and only in small regional communities does it become possible for elites to emerge whose 'natural — voluntarily acknowledged — authority' can lend legitimacy to the idea and institution of an 'anarchic' private law society as the answer to monarchy *and* democracy.

⁴⁴ As late as 1871, for instance, with universal male suffrage, the National Assembly of the French republic contained only about 200 republicans out of more than 600 deputies. And the restoration of a monarchy was only prevented because the supporters of the Bourbons and the Orleans checkmated each other.

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