

THE ECONOMICS AND ETHICS OF PRIVATE PROPERTY: STUDIES IN POLITICAL ECONOMY AND PHILOSOPHY

Hans Herman Hoppe^o

Reviewed by Walter Block^{oo}

In the pantheon of modern Austrian-Libertarianism, first there was Mises. He rigorously applied praxeology to realms of economics never before touched by such insights (e.g. money), and uncompromisingly applied free market principles to the issues of the day (e.g. business cycles, socialism). His magnum opus *Human Action*, plus numerous other major works, constitute a body of thought unmatched to this day. Then came Rothbard. A veritable one man free enterprise industry, his *Man, Economy and State* is but the tip of the iceberg of a stream of publications over four decades which have changed the terrain not only of libertarianism in particular, but of the entire political economic edifice in general. Particularly noteworthy is his rigorous application of praxeological analysis to the furthest reaches of the social sciences: to government, to utility theory, to anti trust, to mathematics.

These two are truly "hard acts to follow". But with the publication of *The Economics and Ethics of Private Property*, Hoppe bids fair to one day claiming the mantle of worthy successor to these two pathbreaking thinkers. Over the years Hoppe has proven himself a non compromising radical free market advocate, and this book further enhances his well deserved reputation.

All scholars owe a great debt of gratitude to the Mises Institute for bringing *Private Property* to a wider audience. Composed of eleven essays previously published in less accessible formats, this book comes in two sections.

The first, devoted to economics, attacks some of the greatest shiboleths of the profession. In chapter 1, Hoppe takes on the view that "public goods" can justify state production of security. It would be the greatest understatement to say

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that this view typifies the thinking of mainstream economics. If any headway is to be made, the public goods argument must be consigned to the looney bin from which it sprang. And Hoppe does no less than this, heaping scorn upon ridicule on this idea. On empirical grounds, he wryly notes that "historical evidence shows us that all of the so-called public goods that states now provide have at some time in the past actually been provided by private entrepreneurs or even today are so provided, in one country or another". On logical grounds, he turns the argument into a *reductio ad absurdum*, proving that there is nothing — no good, no service — that cannot be squeezed under the rubric of public goods. If so, then the entire economy should be nationalized, a point from which most public goods economists would recoil in horror.

Our author turns his baleful praxeological eye to taxation in chapter 2. According to Hoppe, this process "must necessarily obstruct the formation of property and wealth" because it raises time preference rates. As well, he lays waste to the neoclassical incidence notion of forward tax shifting. He then addresses himself to the sociological problem of why we not only have taxation, but an ever increasing amount of it. Hoppe sees this in terms of "a slow but dramatic change in the idea of justice that has taken place in public opinion," and sternly rebukes the Public Choice School of Buchanan and Tullock in this regard, who see the state tax system as essentially one of voluntary cooperation. "Surely, the most amazing thing about such a 'new theory of politics' is that anyone takes it seriously," he says.

Why is it that most economists view bankruptcy with a certain amount of equanimity, interpreting it as a weeding out of inefficiency, but do not apply this analysis to the banking industry? This is because they are fatally wedded to the idea of government monopoly banking and money supply. In chapter 3 Hoppe, once again standing on the shoulders of both Mises and Rothbard, demonstrates the fallacy of such ideas, and makes the case for privatization. More specifically, for a 100% gold backed dollar.

Marxian class analysis maintains that employers exploit and "immiserate" their employees. Most thinking people reject all class interpretations because of this obvious nonsense, but in so doing Hoppe shows in chapter 4 that they are throwing out the libertarian baby with the Marxist bathwater. Marxian class analysis is indeed predicated upon an incorrect labor theory of value, but there is an alternative class theory which avoids this blunder. In the libertarian view, the exploiters are those (mainly in the military-industrial-media-academic complex) who use the state to further their own ends, to the detriment of the net tax payers.

Chapter 5 is devoted to a Misesian evisceration of the Keynesian system, and nothing is more apropos. Left-liberal macroeconomic theory is dead, but only from the neck-up: the body itself is still thrashing around quite vigorously, thank you very much. This can be seen from even a cursory perusal of economic journal articles, textbooks and journalistic commentary. To mix our metaphors, what this view needs more than anything else is a stake driven through its heart — how otherwise will it attain the rest it so richly deserves? — and Hoppe is just the man for the job.

Naturally, our author employs praxeology to this end, not the competing Friedmanesque positivist view predicated upon falsifiability. He unerringly places his finger on the core fallacy, that there cannot logically be any such thing as voluntary

unemployment in the free society. The Keynesian failure to see this is due to a basic confusion: the man who has no job is obviously asking for a wage higher than that at which his productivity is appraised by others. Let him but lower his expectations to a great enough degree, and he will soon enough find himself employed.

The cause, then, of actual unemployment found in reality is a whole panoply of governmental restrictions and interventions into the economy: destabilizing monetary policy, which drives market rates of interest below time preference levels minimum wage laws, union activity, regulations, taxes, etc.

Section II of this book is devoted to philosophy. In one regard, it makes sense to bifurcate the volume into two sections in this manner. The first five essays do appear to be more focussed on economics, and the latter six on philosophy. From the point of view of editorial ease, or practicality, this is unobjectionable. But from a deeper perspective, this distinction is somewhat artificial. For Hoppe's analysis is a seamless garment. For him, and ideally for all Austrians, there really is no distinction between economics and philosophy, except insofar as the former consists of applications of the latter. Praxeology is the thread that holds the garment together, and there is no doubt that the roots of this form of logical argumentation has its roots in both fields of endeavor.

As it happens, chapter 6 is devoted to an explication of praxeology. Here, as before, Hoppe builds on the Kantian oriented work of Mises, showing how and why he rejects both empiricism (logical positivism) and historicism. But he also adds to the edifice, showing that praxeology is the basis of general epistemology. How does the U.N.L.V. professor do this? Through a second *a priori* axiom, in addition to the one based on human action: this he calls the apriori of argumentation. His point is that the axioms of epistemology, as in the case of all intellectual pursuits, can only be made through argument. That is to say, if a point cannot be argued for, it cannot be counted as being within the realm of epistemology. But if a point can be made in argument, this necessarily imposes certain truth criteria upon it; for example, nothing can be argued that it logically incompatible with the process of argumentation.

The bottom line here is that in addition to basic economic axioms dealing with such things as cost, choice, money, utility, there are also the synthetic apriori fields of arithmetic, geometry, causality, purpose, teleology. It is impossible to deny this without contradicting the apriori of argumentation. How can one argue, for instance, that one has no purpose in arguing, when the very act of arguing is purposeful?

Chapter 7 constitutes a short gem of an essay which lashes out at the mainstream economics profession in one of its most tender points: its claim that econometric regression equations can "test" empirical theories, and at the very least falsify some of them. Hoppe, in contrast, shows that the value of dependant variables cannot, even in principle, be predicted on the basis of independent ones, even when all coefficients are known. This is because the whole enterprise is incompatible with the undeniable fact that people are capable of learning new things. "This statement cannot be challenged without implicitly admitting that it is correct. Above all, it must be assumed by anyone undertaking research into causes".

But if one can indeed learn, then "one cannot know at any given time what one will know at any later time and how one will act on the basis of this knowledge. If one did know at any given time what one will come to know at some later time, it would be impossible ever to learn anything". Hoppe continues: "The assertion that it is possible to predict the future state of one's own and/or another's knowledge and the corresponding actions manifesting that knowledge (*i.e.* find the variables which can be interpreted as the causes) involves a contradiction. If the subject of a given state of knowledge or of an intentional act can learn, then there are no causes for this; however, if there are causes, then the subject cannot learn".¹

However disputatious is the rest of the book, chapter 8, "For the economics to the ethics of liberty", is by far the most controversial. It has created a veritable fire storm of criticism even within the libertarian movement. In it Hoppe demonstrates that the ethics of libertarianism — non aggression, private property, rights based on homesteading — is not merely an arbitrary moralistic claim. On the contrary, not only does he show that logical arguments can be adduced in their support, he maintains that one is guilty of no less than self contradiction when one attempts to deny them. I won't give away the punch line (hint: his proof is centered on the apriori of argumentation) but I must say that this chapter alone, plus Hoppe's replies to his critics — David Osterteld, David Friedman, Leland Yeager, David Ramsay Steele, Waters, Timothy Virkkala and Jones — is worth far more than the entire price of admission. One would have thought that all libertarians would have received such a doctrine as Hoppe's with extreme satisfaction. After all, it provides a "knock out punch" to their many critics. In that expectation one would have been greatly disappointed, as shown, if by nothing else, by the vehemence of their many criticisms. But his replies, in an appendix, are definitive.

In a rational world, it would not be necessary to demonstrate that the libertarian system self ownership, homesteading, voluntary interactions (*e.g.* trade) would be both efficient and just. In the present world, however, this is crucially important, if only because there as so many people, both within and outside of the libertarian movement, who dispute this. In chapter 9 and 10, "The Justice of Economic Efficiency," and "On the Ultimate Justification of the Ethics of Private Property," our author concentrates mainly of the latter part of this claim. Once again he employs the apriori of argument. The point is, no one can engage in philosophical dialogue (the necessary condition for solving all intellectual problems) unless he concedes to his opponent the right to use his body (vocal chords) and private property (at the very least, the space he occupies). If he did not, he would simply kill his critic — which would not prove him wrong. Far from it! But if one's position logically requires so basic a concession to one's opponent (*e.g.*, the Marxist must concede self-ownership and private property rights to the libertarian before the discussion can even begin) then one's philosophical position is fatally undermined.

Professor Hoppe concludes his book with a critique of relativism. Things are bad enough in the physical sciences, he avers. Thanks to Kuhn and Feyerabend, the view has become popular that "any two rival theories whose respective terms cannot be reduced to and defined in terms of each other must then appear

¹ Hoppe-1993, p. 171.

completely incommensurable so as to exclude any rational choice between them".² In the social sciences, economics specifically included, things are far worse. Relativism has proven a far more virulent virus, thanks, in large part, to positivism. One might quarrel with Hoppe's choice of title for this chapter, but not with his analysis. He entitles it "Austrian Rationality in an age of the *Decline* of Positivism (emphasis added)". In the view of the present writer, however, positivism is so rife within the profession that if there is any decline — I haven't yet seen one — it is because this view has overtaken virtually 100% of economists, and when you start with numbers of this sort, there is no way to go but down.

Let me conclude. This is a magnificent book, and I recommend it highly. It will repay careful study. All the more inexplicable, then, and completely unjust, that it has all but been ignored by economists, philosophers, and political scientists, the very people most in need of its keen insights an analytical framework.

² Hoppe-1993, p. 212.