

**Mont Pèlerin Society  
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Session 3.2  
Dr. Hans-Hermann Hoppe**

### **COMMENT ON DON LAVOIE**

Lavoie's paper is, to put it mildly, a curious one. One might have expected a paper such as this at a meeting of the Modern Language Association. To encounter it at a meeting of the Mont Pèlerin Society, however, comes as something of a surprise.

The bulk of Lavoie's paper deals with what he believes to be wrong with the contemporary system of university education and how to repair it - and I will comment on this shortly. But before tackling this task, it is appropriate to address briefly what little Lavoie has to say about the topic assigned for this session : democracy and the relationship between democracy and a liberal social order.

The cornerstone of a liberal social order and a free market economy, according to proponents of what is now called "classical" liberalism, is the institution of private property. Correspondingly, classical liberals were intent upon limiting, as far as possible, the coercive powers of government - regardless of the specific *form* of government. Most governments until the end of World War I were monarchical governments, and so a majority of 19th century liberals lent support to republican or even democratic forces. Yet it would be a mistake to interpret this as an indication of some special affinity between liberalism and democracy. Not *one* of the American Founding Fathers, for instance, can be regarded as a democrat. Each considered himself an aristocrat and was deeply suspicious of democracy. And a few classical liberals, such as Alexis de Tocqueville, Jacob Burckhardt and Lord Acton even warned that rather than advancing liberal goals, democracy would promote egalitarianism and socialism ; and ultimately, lead to the very destruction of liberalism.

Today, at the end of the 20th century, it should be obvious how well-founded the fears of Tocqueville, Burckhardt and Acton were. The successive expansion of the suffrage during the 19th century, in Europe and the U.S., was accompanied by a steady growth of socialist parties and an equally steady decline of liberalism (and its gradual transformation into social-liberalism). And since the end of WW I, when the transformation process that had begun with the French revolution was completed and the old system of monarchical rule had been replaced by democratic republicanism, Europe and the U.S. have experienced a spectacular growth of government power and a dramatic erosion of private property rights. To assert, then, as Lavoie does, that a "democratic polity and the market

economy" constitute the "necessary parts of a single ideal" and represent "the two fundamental institutions of a free society (pp. 5-6) displays a breathtaking ignorance of modern history. In fact, it is more in accordance with historical experience to say that democracy implies mob rule, and that a free society cannot be sustained outside of a monarchical framework or, more accurate still, that freedom is bound to disappear unless a society is characterized by the existence of what Wilhelm Röpke has called a "nobilitas naturalis" - a small, voluntarily acknowledged elite of individuals of the highest achievement, superior wisdom, and exemplary, morally impeccable personal lives.<sup>1)</sup>

Lavoie will have none of this. He no longer believes "in that elitist model" (p. 6) but is an all-out egalitarian. He endorses the "empowerment" of the common man - the Jack Kemp-Republican codeword for the expansion of public welfare programs. Like Willy Brandt, Germany's former socialist chancellor, he advocates to "dare more democracy" ("mehr Demokratie wagen") and introduce worker participation into the still "elitist" business world (pp. 7, 10). True to his egalitarianism, he expresses sympathy for multiculturalism and feminism (pp. 17-18). He writes of "underrepresented groups" of students (p. 18 ; why not also about underrepresented groups of Mercedes drivers, house owners, etc ?) and so implicitly endorses the notion, entirely alien to the idea of a free market, that goods and services should be so distributed as to somehow achieve "equal representation", and thus reveals himself as an advocate of programs such as "affirmative actions", and group quotas.

In accordance with this, Lavoie's complaint about the contemporary university system is emphatically *not* that universities (and this includes by and large also the so-called private universities) are state-funded or state-subsidized institutions, highly independent of the demand of consumers, and hence need not respond to their desires.<sup>2)</sup> Rather, in spite of the fact that universities are increasingly filled with students (and professors) who barely qualify as literate, he finds fault with the fact that universities are still to elitist, "designed for a hierarchical society" (p. 6). Fortunately, however, Lavoie informs us that there is hope due to the advances of what he terms the "post-modernist philosophy" : of deconstructivism and hermeneutics. Post-modernism preaches that it is a mistake to conceive of teaching and learning "as transferring knowledge from those who have it to those who don't" (p. 6). Instead of this "monological model" (p. 8) of learning, we are advised to adopt a "dialogical" model in which the capacity of truly listening to the substantive meaning of other people is cultivated" (p. 10). And as for the practical implications of this post-modernist 'culture of conversation', Lavoie quotes Hans-Georg Gadamer,<sup>4)</sup> one of the high priests of the new dispensation (p. 10) : "It belongs to every true conversation that each person opens himself to the other, truly accepts his point of view as valid and transposes himself into the other to such an extent that he understands not the particular individual, but what he says. What is to be grasped is the substantive rightness of his opinion, so that we can be at one with

each other on the subject."<sup>5</sup>

Now, I do not know if Professor Lavoie has any children. But if he does, I suggest that he try out his philosophy of openness with them first, before suggesting it to anyone else. I venture to guess that he would then quickly come to his senses and recognize that the "monological learning model" ("shut up, and listen !") is not all that wrong. Nor, I dare say, can - or should - the Gadamerian philosophy be applied within a university. To conceive of the teaching of mathematics, logic, philosophy, (Austrian) economics, foreign languages, history, or literature *as anything but* "the transferring of knowledge from those who have it to those who don't", as "monological", "elitist" and "hierarchical", appears to be utter nonsense. Indeed, if Professor Lavoie, in his university classes, practices what he preaches, I would have this query for him and his students : why should his students pay *him*, rather than *he pay them* ? Does he share his salary with his students ? And if not, why not ; and isn't this rather "elitist" ? !

What Professor Lavoie offers as a *solution*, then, is in fact one of the central *problems* of the contemporary university : there are all too many classes - I remember them well from my own student days in the late 60's and early 70's, at the height of the student rebellion - in which Lavoie's philosophy of "democratic openness" is practised to near perfection : classes and seminars, in which no "unidirectional" knowledge transfer whatsoever takes place, where everyone is each other's intellectual equal and says whatever he pleases, on any subject he chooses, in an endless stream of free association, rambling and rumination. Professor Lavoie wants more of this. I suggest that we get rid of it, because those are the very classes (and professors) I have always despised and which, I daresay, every intelligent student considers a waste of time.<sup>5</sup>

Finally, a few remarks are in order on how Lavoie manages to drag Austrian Economics and Hayek into all of this and appoint Hayek to "honorary hermeneutician". Although Lavoie, in his bio, congratulates himself as "one of the leading contributors of the Austrian School of Economics", his knowledge on the subject of Austrian Economics actually turns out to be rather limited. True enough, though marred by murky prose,<sup>7</sup> Lavoie points out that Austrians assign to equilibrium analysis only a minor, subsidiary role (of helping us understand, by way of contrast, how the real world does *not* operate) and insist that any real (applicable) economics must take account of uncertainty. It is also true that Mises demonstrated the impossibility of economic calculation under socialism, and that Hayek pointed out that different individuals have different knowledge, and that it is "practically" impossible to assemble all existing knowledge within a single mind.

But what has any of this to do with post-modern philosophy ? Lavoie apparently believes that uncertainty and the dispersion of knowledge among different individuals

somewhat imply a Gadamerian "openness". However, from the fact of uncertainty it does not follow that therefore *everything* is uncertain. Nor does it follow from the fact that knowledge is dispersed among individuals that therefore everyone's knowledge is equally right (or equally wrong). Hayek certainly did not draw this conclusion. His many sceptic and relativistic admissions notwithstanding, Hayek definitely claimed to know *something* to be definitely true or false ; for example, that socialism is "practically" impossible. Hayek certainly did not think of *this* proposition as "open" to discussion, but as an ultimate conversation stopper. And just as certainly, Hayek did not think that he and his socialist conversation partners were somehow equally right, but that he was right and they were wrong.

As for Mises, there is nowhere even the slightest flirtation with relativism and openness. To the contrary, Mises is an arch-rationalist and stands squarely in the Cartesian tradition, which Lavoie believes to be the root of all evil.<sup>1)</sup> Not only does Mises claim to know that economic calculation under socialism is *impossible*. Instead, notes Mises, to conclude from the fact of uncertainty that the program of rationalism must be flawed is contradictory. After all, we are *certain* about the pervasiveness of uncertainty, and the challenge posed by the existence of uncertainty, then, is no more - and no less - than that of *delineating* a realm of uncertainty from another, complementary one of certainty. This precisely is what Mises does, foremost in his monumental *Human Action* : he distinguishes a realm of only "probable" knowledge - of "class probability" (the natural sciences) on the one hand or "case probability" (history and entrepreneurship) on the other - from another, categorically distinct realm of "aprioristic" knowledge and certainty - of "praxeology (axiomatic-deductive economic theory). Whatever one may think of this, it is difficult to think of two philosophical positions that are further *apart* from each other than "praxeology" and "hermeneutics", and Lavoie's attempt to associate even Mises with Gadamer amounts to outright intellectual distortion.<sup>2)</sup>

#### NOTES :

1) Cf. W. Röpke : *Jenseits von Angebot und Nachfrage* (Bern : Paul Haupt, 1979), pp. 191-199.

2) Amazingly in light of the fact that universities operate either totally or partially *outside* of markets, Lavoie writes of "an explosion in the demand for higher education", "a real increase in the desire for education", and he criticizes Martin Anderson for pointing out that the "natural" demand for higher education is likely substantially less than what it presently appears to be (p. 8).

3) A student of Martin Heidegger, Gadamer's prose is marked by a degree of unintelligibility that rivals that of his teacher's. Aptly, his magnum opus, *Wahrheit und Methode* (Truth and Method), has thus also been referred

to as *Wahnsinn und Methode* (Madness and Method).

For detailed critiques of the "post-modernist philosophy", its self-contradictory relativism and nihilism, see D. Gordon, *Hermeneutics versus Austrian Economics* (Auburn : Ludwig von Mises Institute, 1986) ; M. N. Rothbard, "The Hermeneutical Invasion of Philosophy and Economics", Review of Austrian Economics, vol. 3, 1987, pp. 45-59 ; H-H Hoppe, "In Defense of Extreme Rationalism", Review of Austrian Economics, vol. 3 1987, pp. 179-214 ; J. Barnes, "Hermeneutical Integrity", London Review of Books, November 6, 1986.

4) Elsewhere Gadamer explains : "Hermeneutic philosophy ... insists that there is no higher principle than holding oneself open in a conversation. But this means : Always recognize in advance the possible correctness, even the superiority of the conversation partner's position." (quoted from J. Barnes, op. cit.)

Barnes comments : "Now anti-dogmatism is no doubt a Good Thing, and every wise man is something of a sceptic. .... But modest scepticism is not quite the same as 'openness' ... A sceptic recognizes that he himself may always be wrong. Gadamer's "open" philosopher allows that his opponent may always be right. A modest sceptic may have little hope that he has discovered the true answer to any question : but he may for all that be sure that he has uncovered several false answers. ... He will not set up his own standards with any great conviction. But with some opponents he will not be 'open' : he will be quite sure that they are wrong."

5) At one point (p. 18), Lavoie carries his idea of open-mindedness (or is it empty-mindedness ?) to its extreme and appears to assume the actual fusion of minds to a collective mind (Gadamer's "being one on the subject" !). There he expresses "astonishment" regarding Martin Anderson's claim "that thinking and writing is a solitary vocation, and virtually all original, important ideas - especially in the social sciences - spring from one brain". Now, maybe things appear different under the influence of LSD, but in the world that I inhabit Anderson's claim appears perfectly true and unobjectionable, and I can merely express my astonishment over how anyone could find it "astonishing".

6) For example : "markets are processes of distributed learning in systems of continuous change" ... "knowledge does not exist apart from the dialogical processes of interactive discovery in competition" ... "a changing price may not exactly say what it means" (p. 13).

7) Needless to say, Lavoie's characterization of the Cartesian tradition barely qualifies as a caricature.

8) One might even go a step further and consider Lavoie's association of Hayek and Mises with Gadamer also a personal insult against the former. Gadamer, in complete accordance with his philosophy of total openness, advanced his academic career smoothly, first under the National Socialists, then under American military occupation, then under Russian military occupation, and finally in West Germany.

In distinct contrast, Hayek and Mises, significantly less open, suffered much hardship in their academic careers : Hayek was deemed unacceptable by the University of Chicago's economics department. And the University of Chicago never paid Hayek's salary for his appointment to its Committee on Social Thought. His salary had to be paid by the private William Volker Fund. And Mises's even more pronounced lack of openness prevented him from ever acquiring a regular academic post at all (except from 1934-1940 in Switzerland).