

among themselves, however "unfairly," the cost of the public goods they value highly enough.

The standard approach to public goods problems is that they are typically "prisoners' dilemmas," where uncoerced contribution to the public good is irrational. Jasay shows that this is but a special case among other possible incentive structures or "games." If the "productivity" of public provision is sufficiently superior to private-good substitutes, other incentive structures arise whose normal solution is that some people contribute and others free-ride on the public good thus created. Social roles are then either *self-selected*—some are "suckers," others are free riders—which involves "unfairness," or, alternatively, they can be *imposed* by "social contract": everybody must contribute (typically by taxation). This, however, reintroduces free riding by the back door, *via* overconsumption of certain public goods and redistribution of the incidence of taxation.

Up to chapter 7 a utility-maximizing approach is used: all the results are deduced from strict utility maximization. Then further possibilities are admitted (chapter 8) that have in addition various moral motivations.

The true role of the state is not, as we had been taught, forcibly to channel resources into the production of public goods we would not otherwise get. It is, instead, to ensure that the distribution of public burdens and benefits is decided by collective political deliberation rather than by the free interactions of

Jasay ... shows how and why [the] naive quest for "fair" distribution is bound to fail.

autonomous individuals. Jasay, with impeccable logic, shows how and why this naive quest for "fair" distribution is bound to fail, bringing about chronic overconsumption of public goods and stimulating the free riding it was meant to interdict.

In an earlier book—Anthony de Jasay, *The State* (Blackwell, Oxford 1985), which is now starting to exert an influence—the author presented a theory of how the natural conflict between state and society transforms both state and society in a process from which only historical luck lets us escape. The emergence of a relatively free society, "The Rise of the West," is the result of happy accidents in history, and it is an endangered species. In his book *Social Contract, Free Ride*, Jasay forces us to face the prospect that even our constitutionalist-liberal doctrines are not liberal enough to protect us from the unintended and automatic crowding out of individual choice by collective will. After the grotesque mid-Atlantic mis-

use of the word "liberal" it should be pointed out that Jasay used it in the sense of classical liberalism, i.e., to refer to a broad presumption in favor of deciding individually any matter whose structure lends itself to both individual and collective choice.

Both books are examples of the successful application of the economic approach and of game-theory arguments in political science and political philosophy. Jasay's arguments bring a breath of fresh air to both fields.

A Theory of Socialism and Capitalism

by Hans-Hermann Hoppe
Kluwer Academic Publishers, 1989

Reviewed by David Conway

Hans-Hermann Hoppe's *A Theory of Socialism and Capitalism* in essence is given over to establishing two theses concerning the comparative merits of capitalism and socialism. The first—which shall be referred to below as *the economic thesis*—is that capitalism is economically superior to any form of socialism, in the sense that, given the economic resources of any society, the average standard of living per member of that society will be higher if its economic structure is capitalist than it would be if its structure were socialist in any form, to any degree. The second thesis—which shall be termed in what follows as *the moral thesis*—is that capitalism is morally superior to any form of socialism, in the sense that capitalism respects, whereas every form of socialism violates, property rights belonging to some members of society.

The two theses themselves are by no means novel, nor are the arguments which Hoppe offers in support of the economic thesis. So far as the theses themselves are concerned, they are the stock-in-trade of that species of libertarianism propounded by Murray Rothbard to whom the author signals the greatest intellectual debt in his acknowledgments and to whose writings numerous references are made in the text itself. Likewise the arguments advanced on behalf of the economic thesis can, by and large, be found in the economic writings of Rothbard and, earlier still, of Ludwig von Mises, who, next to Rothbard, is the author to whose works most references are made in Hoppe's text. What is novel about Hoppe's book is, first, the great care with which the author distinguishes between the different possible forms of socialism and then explains with respect to each why it is economically inferior to capitalism, and, second, his argument for the moral thesis.

At the base of his conception of both capitalism and socialism in all its various forms, and, in addition,

underlying the moral thesis, is a certain account of property rights which Hoppe calls *the natural theory of property*. The essence of the natural theory is that whoever first uses a scarce resource acquires (natural) ownership of it. This entails that each person owns his (or her) own body (being the first to use it), and also owns in addition whatever other scarce resources he (or she) either is the first to make use of or else is given—either in some contractual exchange or as a free gift—by some previous (natural) owner of that resource. First-use forms, for Hoppe, “an objective, intersubjective ascertainable link” between an individual and some scarce resource which can be transferred to another individual through gift or exchange. *Pure capitalism*, for Hoppe, is simply that social systems are based on the natural theory of property. By contrast, *socialism* is any social system “that assigns rights of exclusive control over scarce means ... to persons or groups of persons that can point neither to an act of previous usership of the things concerned, nor to a contractual relation with some previous user-owner” (p. 18).

Armed with this general conception of socialism, Hoppe is able to distinguish no less than four different specific forms of it. These are: (1) *Socialism Russian-style*, exemplified by the communist countries of the Eastern bloc; (2) *Social-democratic Socialism*, favored by socialist and social-democratic parties of Western Europe as well as by so-called “liberals” in the U. S. A.; (3) *The Socialism of Conservatism* most notably by France and Italy, but still more graphically exemplified by fascist Italy and Nazi Germany; (4) and *The Socialism of Social Engineering*, currently favored in the U. S. A.

Hoppe has little difficulty in showing with respect to each of these forms of socialism that it is less efficient at producing and conserving wealth than capitalism. Thus, for example, with respect to *Socialism Russian-style*, we are told that, among its other economic shortcomings, by disallowing private ownership of means of production, this form of socialism prevents the formation of market prices in means of production which in turn prevents managers of economic resources from being able to calculate the monetary costs of production and thereby from being able to determine the optimum way to utilize the means of production. In consequence, misallocation of resources is almost inevitable. This, and many of the other arguments advanced by Hoppe for the economic thesis, should be familiar to those acquainted with Austrian economics. On the whole, the arguments which Hoppe presents for the economic thesis are sound and clearly formulated. Moreover, Hoppe goes on to show how, in the light of these arguments, we can make sense of a whole host of otherwise disconnected empirical facts: such as why the Eastern bloc is less affluent than the West; why, within the West, the U. S. A. is more affluent than Western Europe; why, within Western Europe,

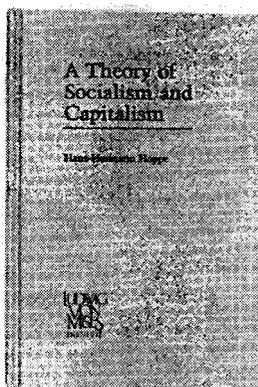
France and Italy are less affluent than West Germany, and so on. Hoppe's book is well worth reading for the light which it sheds on these hard facts of economic reality alone.

Matters are otherwise, however, when it comes to Hoppe's moral thesis and to his argument for it. This thesis—viz. that pure capitalism is morally superior to all forms of socialism—depends crucially upon his natural theory of property offering a morally correct account of property rights. In other words, the truth of Hoppe's moral thesis depends upon its being true that whoever first uses a scarce resource acquires rights to exclusive use and control of it. Capitalism would not violate property rights, whereas all forms of socialism would violate property rights, if the natural theory were morally sound. Hoppe attempts to demonstrate the moral soundness of the natural theory of property in chapter 7. His argument is somewhat complex and not altogether easy to follow. A convenient summary is offered in the first paragraph of chapter 8. He writes “[Socialism] cannot be defended as a fair or just social order from a moral point of view because to argue so ... necessarily presupposes the validity of the first-use-first-own rule of the natural theory of property and capitalism, as otherwise no one could survive and then say, or possibly agree on, anything as an independent physical unit” (p. 145).

Put more fully, the argument seems to be this: in order to be able to engage in argument, it is necessary for a person first to have control over his body. Therefore, whoever wishes to be able to justify anything by means of argument must subscribe to the following principle (which Hoppe calls *the principle of non-aggression*): nobody has the right to uninvitedly aggress against the body of any other person and thus delimit or restrict anyone's control over his own body. Now, if no one had the right to acquire anything except his own body, no one would be able to live. Therefore, anyone who engages in any argument must accept that people have a right to acquire property rights in scarce goods besides their own bodies. Since everyone who engages in argument must subscribe to the principle of non-aggression, it follows that everyone who acknowledges that people have a right to acquire scarce goods besides their own bodies must also accept that, in order to be valid, the norm which specifies how a person may acquire a scarce good besides his own body must be consistent with the principle of non-aggression. The only norm which specifies how someone may acquire some scarce good besides his own body that is compatible with the principle of non-aggression is the first-use-first-own principle of the natural theory. Therefore, it has to be accepted by whoever wishes to engage in any argument that whoever first works on an unused nature-given thing becomes its owner.

The crucial premise of this argument is the last: namely, that the only norm that specifies how someone may acquire scarce goods besides his own body that is compatible with the principle of non-aggression is the norm which assigns first ownership of a hitherto unused nature-given thing to whoever first uses that thing. What Hoppe wants to contend here is that individuals are owners of their own physical bodies. According to Hoppe, all other norms specifying how individuals may acquire scarce goods involve assigning scarce goods to individuals simply by verbal means, i. e., by decree. However, being able to acquire ownership of something simply by decree is inconsistent with everyone's owning their own body. For everyone else in addition to any given person is equally well able as that given person to decree that they own that person's body. So, if one accepts that the only person who owns a person's body is that person himself, then one must reject all norms which state how persons may acquire scarce goods besides their body other than the first-use-first-own principle.

Ingenious though the argument is, it is flawed. This is because it is false that wherever ownership of some unused nature-given thing is assigned by means other than reference to first use of that thing, ownership is being assigned merely by verbal means. In order to live, individuals need means of



A Theory of Capitalism and Socialism is published by Kluwer Academic Publishers as the first in a joint series with the Mises Institute called "Studies in Austrian Economics." The book is presently being translated into Portuguese, Korean, and Spanish.

subsistence. This fact establishes a relation between an individual and some scarce goods every bit as objective as that which mixing one's labor with those goods does. Thus, a norm that states that individuals have a right to what they need in order to live (i. e., to means of subsistence) is at least as non-arbitrary as the first-use-first-own principle as applied to scarce goods besides human bodies. More to the point, the norm specifying a right to means of subsistence

is significantly less arbitrary than Hoppe's natural theory for the following reason. A world which applied Hoppe's favored theory of property to scarce goods besides people's own bodies would be a world which permitted only a minority of the people existing within it to appropriate through first use the entire stock of scarce natural resources, and to deny access to means of subsistence to the remainder of the world's population who lacked any scarce resources of their own besides their own bodies. A rule which permits such a state of affairs would clearly permit some people to be denied the necessary preconditions for their being able to engage in argument. Consequently, no one who wishes to argue for their views should be willing to accept such a rule. Consequently, the first-use-first-own rule is not truly a precondition of argument and cannot be allowed to stand in an unqualified form by all who would be governed by reasoned argument in their moral views.

At the outset of the book, Hoppe introduces the idea that property rights are claims to exclusive ownership of scarce resources the purpose of which is to prevent conflicts between persons over the use of scarce resources. Such conflicts are surely not prevented by rules which permit some people to die of starvation through lack of opportunity to acquire means of subsistence. Consequently, any morally valid theory of property has to consist of rules which acknowledge people's rights to acquire their means of subsistence. A person who is destitute through no fault of his or her own in a society which contains enough resources to maintain that destitute person without taking away from anyone any resources that are necessary for the survival of someone else, has a right, against all those who own more than they need in order to survive, to be provided with the opportunity to acquire goods at least sufficient to live on. This does not imply that those with more than they need to survive are obliged to maintain the destitute in idleness. The granting of means of subsistence to the destitute can be made conditional on the destitute engaging in work for these means of subsistence.

Where does this leave the issue of capitalism versus socialism? What it means is that whoever first uses a scarce resource can at most acquire ownership of it subject to the qualification that this owner, or whoever that owner passes on that resource to, if he has more than he needs for subsistence, must be willing to provide those lacking means of subsistence of their own, through no fault of their own, the opportunity to acquire means of subsistence. This means that, in a world in which all natural resources have become privately owned, property owners must ensure either opportunities for gainful employment or welfare for those who are without means of subsistence of their own. The rights of the destitute are consequently being denied by

property owners in such a world if the latter deny the former both job opportunities and welfare.

Hoppe has presented a powerful economic case for making us prefer capitalism to socialism. However, society's enjoying the highest possible average standard of living per member is little consolation to a member who through no fault of his or her own neither has anything nor can acquire anything. Surely, no form of society which tolerates such states or unameliorated property within its midst can be morally superior to a form of society in which owners have an enforceable obligation to non-owners to provide them with enumerated work or welfare. Full-blooded socialism may not be required by justice, but some small departure from pure capitalism may well be.

On the Indefensibility of Welfare Rights: A Comment on Conway

by Hans-Hermann Hoppe

David Conway claims that my argument intending to show the unrestricted validity of the homesteading principle, i.e., the first-use-first-own rule regarding unowned, nature-given resources, is flawed, and that he can demonstrate the defensibility of welfare rights. I remain unconvinced and contend that it is his counter-argument which is faulty.

While I have no quarrel with his presentation of my argument, I will first briefly restate my proof. Second, I will point out the central errors in his reply. And third, offer an explanation for Conway's rejection of my argument as resulting from a rather common misconception regarding the logic of ethical reasoning.

Whether or not one has any rights, and, if any, which ones, can only be decided in the course of an argumentation. It is impossible to deny the truth of this without falling into a contradiction. Arguing requires a person's exclusive control (ownership) over scarce resources (one's brain, vocal cords, etc.) Trying to deny this would again merely prove the point. And a person must have acquired this ownership simply by virtue of the fact that he began using these resources before anyone else had done so, otherwise he could never say or argue anything to begin with. Thus, anyone denying the validity of the homesteading principle at least with respect to *some* resources would contradict the content of his proposition through his very act of proposition making.

So far, it appears, Conway would agree. But he wants to impose limitations on the range of objects that may legitimately be homesteaded. Unfortunately, however, (for Conway's case) once exclusive control over some homesteaded means is admitted as

justified, it becomes impossible to justify any restrictions in the homesteading process—except for a self-imposed, voluntary one—without thereby running into contradictions. For if the proponent of such a restriction were consistent, he could have justified control only over some, however limited, scarce resources which he would not be allowed to employ for additional homesteading. Yet, he could not then interfere with another's extended homesteading, simply because of his own lack of means to do anything about this. And if he *did* interfere, *he* would thereby inconsistently extend his ownership claims beyond his own justly homesteaded resources.

Moreover, in order to justify his interference he would have to invoke a principle of property acquisition *incompatible* with the homesteading principle: he would have to claim, inconsistently, that a person who extends his homesteading, and who does so in accordance with a principle that no one can argue to be generally invalid, is, or at least can be, an aggressor (even though in doing so this person could not possibly be said to have taken anything away from anyone, because he would have merely appropriated *previously unowned resources*.) Furthermore, a person who interferes with such an action, and who does so in accordance with a principle that no one could possibly argue to be generally valid, is, or at least can be, acting legitimately (even though he would always take something away from someone whose appropriations had occurred at no one's expense).

The central error in Conway's rejection of this argument is his refusal to acknowledge the logical incompatibility of his idea of welfare rights on the one hand—the notion that one can have enforceable claims against homesteaders—and of the homesteading principle on the other. Either the first idea is right or the second. Yet the first cannot be said to be right, because in order for anyone to say so, the second one must be presupposed as valid. There can be no such thing as a right to life, then, in Conway's sense of a right to having one's life sustained by others. There can only be each person's right to own his physical body, everything that is homesteaded with its help, and to engage in mutually beneficial exchanges with others.

Suppose, for instance, that I am terminally ill and the only way for me to survive is to have my brain short-circuited with Conway's. Does he have the right to refuse? I think so, and I am sure that he thinks so, too. But he cannot have this right on welfare grounds (assuming that his life would not be threatened by such an operation), but only on the basis of the homestead principle as the precondition of one's existence as an independently reasoning and arguing physical being.

Further, his claim that welfare rights "are every bit as objective" as those implied by mixing one's labor with scarce resources (contrary to my thesis that the former are subjective, arbitrary, verbal, derived out

of thin air) is fallacious. Through homesteading an objective link between a *particular person* and *particular resource* is created. But how can one say that my need can give rise to a claim regarding any specific resource or resource owner *x*, rather than *y*, or *z*, if I had not homesteaded or produced either one? Not only is neediness incapable of objective identification or measurement: who determines who is or is not needy? Everyone for himself? And what if I happened to disagree with someone's self-assessment?

People have died from love-sickness—do they have a right to a lover-conscript? People have survived by eating grass, bark, rats, roaches, or other's garbage—are there no needy people then so long as there is enough grass or garbage to eat? If not, why not? For how long would the support for the needy have to last? Forever? And what about the rights of the supporters who would thereby become permanently enslaved to the needy? Or what if my support for the needy caused me to become needy myself, or somehow increased my own future needs? Would I still have to continue to support them? And how much work can I expect the destitute to perform in return for my support—given the fact that one is not dealing here with a mutually beneficial employment relation or voluntary charity to begin with? As much as the needy feel is appropriate?

Moreover, even if all these difficulties were overcome, more are lying in the wings because need does not connect the needy with any resource or resource owner in particular, and yet it must invariably be particular resources that provide relief. The needy may be needy without any fault of their own; but the non-needy may be non-needy without any fault of theirs, too. So how can the needy claim support from me, rather than you? Surely that would be utterly unfair toward me in particular. In fact, either the needy can have a claim against no one in particular, which is to say they have no claim whatsoever; or else their claim would have to be directed equally against each one of the world's non-needy.

How can the needy possibly enforce such a claim? After all, they lack resources. For this to be possible, an all-resourceful, world-wide operating agency would be required. The owners of such an agency obviously would have to be classified as among the non-needy, and could hence have no direct claim against anyone. Supposedly, only need creates such claims. In fact, this agency would have to be considered one of the foremost debtors to the needy; and it could only legitimately act against other non-needy then, if it had previously paid *its* share of welfare debts *and* the needy had contractually entrusted it with such an enforcement task. And hence the welfare problem would have to wait for a solution until this institution arrived. So far it has not arrived, and there is nothing to indicate that it will arrive in the near future. And even if it did, welfare rights would still be incompatible with the

homesteading rule as an indisputably valid, axiomatic principle.

The explanation for Conway's refusal to accept the homesteading ethic lies in a misconception regarding the nature of ethical theory. Instead of recognizing ethics as a logical theory, deductively derived from incontestable axioms (akin to praxeology), Conway implicitly shares a popular, empiricist-intuitionist (or gut-feeling) approach toward ethics. Accordingly, an ethical theory is *tested* against moral experience, such that if the theory yields conclusions at variance with one's moral intuitions it should be regarded as *falsified*. However, this view is entirely mistaken and,



Hans-Hermann Hoppe

much like in economics, the role of theory and experience in ethics is almost precisely the opposite: it is the very function of ethical theory to provide a rational justification for our moral intuitions, or to show why they have no such basis and make us reconsider and revise our intuitive reactions. This is not to say that intuitions can never play a role in the building of ethical theory. In fact, counterintuitive theoretical conclusions may well *indicate* a theoretical error. But if after one's theoretical reexamination, errors are neither found in one's axioms nor in one's deductions, then it is one's intuitions that must go, not one's theory.

In fact, what strikes Conway as a counterintuitive implication of the homesteading ethic, and then leads him to reject it, can easily be interpreted quite differently. It is true, as Conway says, that this ethic would allow for the possibility of the entire world's being homesteaded. What about newcomers in this situation, who own nothing but their physical bodies? Cannot the homesteaders restrict access to their property from these newcomers and would this not be intolerable? (Empirically, of course, the problem does

not exist: if it were not for governments' restricting access to unowned land, there would still be plenty of empty land around.) These newcomers come into existence somewhere—normally one would think as children born to parents who *are* owners or renters of land (if they came from Mars, and no one wanted them here, so what; they assumed a risk in coming, and if they now have to return, tough luck). If the parents do not provide for the newcomers, they are free to search the world over for employers, sellers, or charitable contributors—and a society ruled by the homesteading ethic would be, as Conway admits, the most prosperous one possible. If they still could not find *anyone* willing to employ, support, or trade with them, why not ask, "What's wrong with *them*?" instead of Conway's feeling sorry for them? Apparently *they* must be intolerably unpleasant fellows and had better shape up, or they deserve no other treatment. Such, in fact, would be my own intuitive reaction.

Notes and Transitions

Karen Vaughn has stepped down as chair of the Department of Economics at George Mason University. She returns to the Center for the Study of Market Process. Richard Wagner of the Center for the Study of Public Choice is the new chairman at George Mason University.

George Selgin, formerly of Hong Kong University, is now visiting assistant professor of economics at the University of Georgia.

Don Boudreaux, former editor of the *AEN*, is on leave from George Mason University and the Center for the Study of Market Process to attend the University of Virginia Law School.

John McCallie, former assistant editor of the *AEN*, is now visiting assistant professor of economics at the University of Alabama at Birmingham.

Mark Thornton, editor of the *AEN*, has been named O. P. Alford assistant professor of Austrian economics at Auburn University.

Review of Austrian Economics Volume IV

Articles

Eugen Richter and Late German Manchester Liberalism: A Reevaluation, by *Ralph Raico*

Ludwig von Mises as Social Rationalist, by *Joseph T. Salerno*

Banking, Nation States and International Politics: A Sociological Reconstruction of the Present Economic Order, by *Hans-Hermann Hoppe*

National Goods versus Public Goods: Defense, Disarmament, and Free Riders, by *Jeffrey Rogers Hummel*

Karl Marx, Communist as Religious Eschatologist, by *Murray N. Rothbard*

The Subjectivist Roots of James Buchanan's Economics, by *Thomas J. DiLorenzo*

Notes and Comments

The DMVP-MVP Controversy: A Note, by *Walter Block*

Misconceptions about Austrian Business Cycle Theory: A Comment, by *James Clark* and *James Keeler*

Book Reviews

Understanding: A Phenomenological-Pragmatic Analysis, by Gary B. Madison; *A Conflict of Visions*, by Thomas Sowell; *A Farewell to Marx*, by David Conway; *The International Political Economy of Coffee*, by Richard L. Lucier; and *Man, Economy, and Liberty*, edited by W. Block and L. Rockwell, Jr.

Joseph T. Salerno, professor of economics at Pace University, has been granted tenure at the Lublin Business School of Pace University in New York City.

The Center for the Study of Public Choice has launched a new journal, *Constitutional Political Economy*. It will be edited by **Viktor Vanberg** and **Richard Wagner**. Nobel laureate James Buchanan will serve as advisory editor. The interdisciplinary journal will be published three times a year as "a forum for papers in the broad area of constitutional analysis."

The first issue of *Catallaxy* was published in October 1989. It is a four-page newsletter reporting on the activities of the East-West Outreach Program, a joint venture of the Carl Menger Institute (Austria) and the Institute for Humane Studies (USA). Contact either the Institute for Humane Studies or the Carl Menger Institute for more information.

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