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HEADLINE: The Economics and Ethics of Private Property._book reviews

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BODY:

Hans Hoppe's latest book places another nail in the coffin of socialism. As was the case with his previous book, A Theory of Socialism and Capitalism, his book on The Economics and Ethics of Private Property takes an uncompromising position in defense of private property, which is the ultimate foundation of capitalism. Most modern-day economists will find many reasons to take issue with Hoppe's views, since he takes a natural rights position.

The book is well worth reading for economists of all persuasions. Those who agree with his basic premise will find many useful arguments to support previously held positions. And those who view private property and ethics from a utilitarian, relativist or positivist perspective will find many challenges to their long-held beliefs. The book is provocative and is written in attack mode. But it is also quite scholarly.

Hoppe's background, with doctorates in economics and philosophy, gives him a broad perspective to draw from when defending property rights. He makes some connections between diverse disciplines that would be missed by most economists and philosophers.

The book is divided into two parts, one each on economics and philosophy. The first chapter in the economics section points out some fallacies in public goods theory as applied to the production of security. Hoppe takes the position that there is nothing different between the production of security and the production of any other good or service. But more than that, he attacks the very notion that there can exist such a thing as a public good. "The whole public goods theory is faulty, flashy reasoning, ridden with internal inconsistencies, non-sequiturs, appealing to and playing on popular prejudices and assumed beliefs, but with no scientific merit whatsoever." Part of the problem with public goods theory is that there is no clear-cut distinction between public and private goods; what is public one minute may be private the next, and vice versa. The whole distinction between public and private goods is a relapse into the pre-subjectivist era of economics.

Hoppe next examines the economics and sociology of taxation. In the first part of this chapter, he presents a praxeological account and explanation for

Say's central argument that taxation retards growth and hampers wealth accumulation and he refutes some counterarguments that take the position that taxation does not necessarily obstruct the formation of wealth and property. In the second part, he attempts to answer questions like why is there taxation? and why is there always more of it? Once one is finished reading this chapter, it will be difficult to seriously advance the position that a tax can be neutral.

Chapter three discusses money and likens central banking to legal counterfeiting. Under a free banking regime with no legal tender laws and gold as money, there is a built-in stabilizing force against counterfeiting. Banks that issue phony money under such a regime face the risk of having the public attempt to redeem it, which would drive the offending bank into insolvency. Hoppe points out the relationship between the State's internal counterfeiting powers and its expansionist desires. But in the modern State it is no longer always necessary to invade another country to obtain wealth. For countries lucky enough to have their currencies employed as a reserve currency, it becomes possible to expropriate the property of foreign owners and income producers almost without cost. The movement toward a world currency and a world government would make such expropriation even easier, since competing currencies and fluctuating exchange rates would be done away with.

Hoppe's comparison of Marxist and Austrian class analysis is especially interesting. He argues that the major theses of the Marxist theory of history are essentially correct, but are derived from the wrong starting point. For example, the history of mankind is the history of class struggles, where a small ruling class exploits the larger exploited class. Historically, slaveowners have exploited slaves; lords have exploited serfs. But what Marx failed to realize is that exploitation exists whenever there is a deviation from the homesteading principle. Hoppe points out that exploitation results whenever homesteaders, producers and savers have their property expropriated by late-coming non-homesteaders, non-producers, non-savers and non-contractors. Thus, free labor can never be exploited as Marx claimed. History must be seen as the struggle between freedom and exploitation, private property and its destruction. The State is exploitative not because it protects capitalists' property rights but because it is exempt from the restriction of having to acquire property contractually and productively. It just takes what it wants by confiscating property. Thus, the modern class struggle is the struggle between the State and its subjects.

Hoppe next explores and expounds upon the Austrian theory of economic development and shows that "Keynes' new economics . . . is cranky: a tissue of logical-praxeological falsehoods reached by means of obscure jargon, shifting definitions, and logical inconsistencies, intent to create an anti-capitalist, anti-private property, and anti-bourgeois mentality." While others have dismantled the various Keynesian theories over the years, Hoppe's approach is different in that he is systematic and employs logic and a priori reasoning, much as Ludwig von Mises did a few years back.

Part two begins with a discussion of praxeology (the pure theory of action) and the praxeological foundation of epistemology. His goal in this chapter is to show that praxeology is the very foundation of epistemology. His discussion encompasses marginal utility theory, empiricism, skepticism, the historicist school, relativism and rationalist philosophy. He concludes that all valid economic propositions can be arrived at through a priori reasoning.

The next chapter looks at the question of whether research based on causal scientific principles is possible in the social sciences. In other words, can mathematical and statistical techniques be applied to the social sciences? He concludes that they cannot, and presents some very strong philosophical arguments to prove his point. In the next chapter, he returns to the public goods theory and the defense of a pure market system from both a logical and ethical perspective.

He then looks at the relationship between justice and economic efficiency. These two concepts have a common element. They both require respect for private property. Wealth cannot be created efficiently without it, and a society cannot be just without it. Hoppe examines the Lockean/Rothbardian natural rights defense of private property and the Misesian praxeological approach.

The final chapter discusses rationalism, positivism and relativism in the natural and social sciences. Hoppe points out some of the weaknesses in Kuhn's *The Structure of Scientific Revolutions* and in Feyerabend's relativism. Positivism is seen as a failure, which does not prove that there can be no rational ethic. Positivism cannot even be considered an epistemology, a justifiable theory of knowledge. It is an inconsistent, contradictory philosophy.

This book is well worth reading for anyone who is interested in the philosophical underpinnings of property rights. But the book is about more than just property rights. Hoppe addresses a number of economic issues from a philosophical perspective, which is unusual in this day of mathematical equations.

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