

knowledge and are intrinsically intelligible, that is, they are capable of being grasped as evident by anyone who has familiarity with the domain in question. The complex phenomena of money, rents, profits, and such are intelligible only through *a priori* propositions.

Works of later Austrians like Edmund Husserl, Alfred Schutz, Adolf Reinach, and Felix Kaufman have not only provided philosophical grounding for *a priori* true propositions, but it is without the limitations and dichotomies of the Kantian epistemology.

One would conclude, from these talks, that Austrians were (are) not only good economists but also pioneers in the philosophy of social sciences. Austrian economics is but one fruit, though well developed, of the Austrian philosophy. Our understanding and extension of Austrian economics, Smith argues, must begin with the recognition of the influence of Aristotle as its genesis. ■

“Comment on Hoppe”

by David Osterfeld

Professor Hans-Hermann Hoppe's essay, “The Justice of Economic Efficiency,” is pathbreaking. By the use of what is, in fact, *praxeological* reasoning, i.e., reasoning grounded in the logically necessary implications of the principle of human action, he attempts to lead the reader to the conclusion that private property is a natural, inalienable, right. Being the utilitarian that he was, Ludwig von Mises would no doubt have been astounded by the exercise. But the question is: does it succeed? In large part it does; but not totally.

Since I find myself in agreement with most of Professor Hoppe's position, I will confine my remarks to those points at which I either disagree or feel need for further amplification.

(1) Hoppe states that the starting point of both political economy and political philosophy is the recognition of scarcity. The goal of economic theory is to maximize wealth production; that of political philosophy is to avoid conflicts by “assigning a set of rules for the exclusive control over scarce goods.” These two goals complement each other. Together, they “lead to the greatest possible production of wealth.”

I have no disagreement with the statement regarding economics, but I do think it is questionable in regard to political philosophy. Political philosophers have written for a multitude of reasons. It seems to stretch the point to say that all have been concerned with assigning a set of rules to deal with scarcity. For example, philosophers and government rulers have long wrestled with such issues as freedom of religion and freedom of speech. Since there was great fear of the consequences of permitting people to worship and to speak as they wished, political philosophers, e.g., Hobbes, and Rousseau to name but two, felt that the state had the right, in fact the duty, to *limit* these activities. To put it in the terminology of economics, the perceived problem was not scarcity but *surplus*, and the proposals, and the government policies, were designed to limit both religion and speech, thereby making them more, not less, scarce. These policies

were no doubt ill-advised, but that is another matter.

(2) Professor Hoppe argues that “as long as there is argumentation, there is mutual recognition of each other's property right in his own body.” I have no disagreement with this as stated. But what is left unstated here is the source of that right. Hoppe believes that it is a natural right embedded in the very nature of argumentation. But could it not be derived from a contract negotiated behind a Rawlsian “veil of ignorance”? Could it not have emerged, a la Hume or Burke, from tradition, or experience, or custom? Or could it not have been the result of a Benthamite utilitarian calculus? I don't see how Hoppe can simply dismiss these other possibilities, *a priori*.

(3) Hoppe argues that socialism is “argumentatively indefensible” because if private property is not recognized, then one would have to come to an agreement with the “entire world population” prior to committing oneself to any course of action, a requirement that would paralyze all human action, and thus all life. It is not clear that the only alternative to individual ownership is ownership by the “world community.” (In fact, I don't see how the alternative can be ownership by a “world community” since that community, like all communities, is composed of individuals. If ownership by individuals is denied, then ownership by a community composed of individuals must also be ruled out. Thus, the alternative to individual ownership is not ownership by the community but total non-ownership, leaving property in an ethical limbo. Nevertheless, Hoppe implicitly grants the argument that the alternative to individual ownership is some type of community ownership.) For there is the possibility of intermediate communities. Isn't it possible for members of community *A* to agree on their own set of rules regarding property, for members of community *B* to establish their own set of rules, etc.? And then isn't it possible for representatives of communities *A, B . . . N* to agree, bilaterally or collectively, on the principles governing interactions between their communities? I don't see how Hoppe's argument, as it is presented, rules out these possible alternatives between the poles of the individual and the world.

(4) Finally, Hoppe's argument is an example of ethical naturalism. From the factual claims regarding the nature of man and the nature of argumentation, Hoppe derives an ethical justification from private property. His claim is not merely that private property is just but that “any deviation from it is . . . unethical.” This is a large claim and one that risks falling afoul of the naturalistic fallacy. Wouldn't it be possible for someone, say Rawls, to say that, (a) what Professor Hoppe says about the factual aspect of property is quite true, (b) however, it is neither necessary nor desirable that this remains the case? And isn't it also quite possible for Rawls to then proceed to use his *de facto* private property to try to get the rules regarding property changed? I don't see any contradiction in this. After all, libertarians do run for government office with the intention of dismantling the government. And totalitarians have commonly used free speech in order to acquire the power to eliminate free speech. Why is it impossible to move from one set of (*de facto*) norms, say the Hoppe-norms, to another, allegedly superior set of norms, say the *x*-norms? I don't see how Hoppe has ruled out this

possibility.

I am afraid that my paper is mostly negative. I don't want to give the wrong impression. I find Professor Hoppe's argument to be both pathbreaking and compelling. I agree with the thrust of his analysis. Because of that I have focused my attention on four possible objections to his paper. I believe that these objections can be successfully surmounted.

A common failing of commentators is that they call the author to task either for not doing everything in the space of a single paper or for not doing something he had no intention of doing in the first place. In reviewing my comments it is clear that I have managed the unenviable feat of committing both mistakes in the remarkably short space of a single comment. Again, I think that Hoppe's use of praxeology is a challenging and unique approach to demonstrating the right of private property and I look forward to further work along these lines by him and others.

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"Comment on Osterfeld"

by Sheldon L. Richman

Dr. Osterfeld's interesting response to Dr. Hoppe is mistaken on at least one count. He writes, "It seems to stretch the point to say that all [political philosophers] have been concerned with assigning a set of rules to deal with scarcity." He asserts that important political philosophers were actually concerned with the *surplus* of such things as religion and expression. But I think this is the wrong way to look at state interference with these activities.

What motivated the state was not a surplus but a *scarcity*. The scarce "commodity" was the allegiance of the state's subjects. The state could never get enough and so it was fearful of the competition for that allegiance: Church and Truth. The people's allegiance to either of these would diminish, if not eliminate, allegiance to the state, a situation that the state could not tolerate. Thus, in the tradition of all who fear free competition, the state tried to limit or destroy its competitors: freedom of religion and freedom of expression.

The state's interference with church and truth can also be shown to be a concern with the maximization of production and wealth. As noted, the state has clearly been concerned with producing the maximum "amount" of allegiance to it. Second, this "production" was calculated to be the easiest route to the maximum amount of wealth *for the state* as well. Economics, of course, can show that state intervention diminishes the amount of wealth produced. But in this context we must look at things from the ruler's point of view. He has historically not been interested in the absolute amount of wealth produced, but in the amount he can get *his* hands on easily. The state can be expected to opt for a lower overall amount, provided, other things equal, that its share is larger

than it would be were the overall amount higher.

The Lafferites, of course, have challenged this strategy, claiming that the state would garner more wealth if the people were freer to produce. But they have been theoretically weak. After all, though people may work fewer hours if marginal tax rates are raised, it is also possible that they will work more hours in order to maintain their standard of living.

But regardless of the validity of supply-side economics, it seems undeniable that the state's activities, and the political philosophers who apologized for them, fall well within the framework set out by Dr. Hoppe.

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Sheldon Richman discussed the history of the income tax at the Mises Institute Conference on Taxation.

Demonstrated Preference and Private Property: Reply to Professor Osterfeld

by Hans-Hermann Hoppe

Professor Osterfeld, after generously acknowledging the "pathbreaking" nature of my *a priori* defense of the ethics of private property, concentrates on four objections to my arguments.

I will comment on all four objections that Professor Osterfeld addresses. However, since they depend on a correct understanding of my central argument and its logical force, I will first restate my case in the briefest possible way.

As Osterfeld correctly notices, I want to give a praxeological proof for the validity of the—essentially Lockean—private property ethic. More precisely, to demonstrate that only this ethic can be argumentatively justified, because it is the praxeological presupposition of argumentation, and that any

deviating ethical proposal can hence be shown to be in violation of demonstrated preference. Such a proposal can be raised, but its propositional content would contradict the ethic for which one would demonstrate a preference by virtue of one's own act of proposition-making, i.e., by the act of engaging in argumentation. In the same way as one can say "I am, and always shall be, indifferent towards doing things," this proposition contradicts the act of proposition-making, which reveals demonstrated subjective preferences (saying this rather than saying something else or not saying anything at all). Deviationist ethical proposals are falsified by the reality of actually proposing them.

To reach this conclusion and properly understand its importance, two insights are essential.

First, the question of what is just or unjust—or, even more general, what is valid or not—only arises insofar as I am, and others are, capable of propositional exchanges, i.e., of argumentation. The question doesn't arise for a stone or fish, because they are incapable of producing validity-claiming propositions. Yet if this is so—and one cannot deny that it is without contradicting oneself, as one cannot argue the case that one cannot argue—then any ethical proposal, or any other proposition, must be assumed to claim it is capable of being validated by propositional or argumentative means. In producing any proposition, overtly or as an internal thought, one demonstrates one's preference for the willingness to rely on argumentative means in convincing oneself or others of something; and there is, then, no way of justifying anything, unless it is a justification by means of propositional exchanges and arguments. It must be considered the ultimate defeat for an ethical proposal if one can demonstrate that its content is logically incompatible with the proponent's claim that its validity be ascertainable by argumentative means. To demonstrate such incompatibility would amount to an impossibility proof; and such proof is deadly in the realm of intellectual inquiry.

Secondly, the means with which a person demonstrates preference by engaging in argumentation are those of private property. Obviously, no one could propose anything or become convinced of any proposition by argumentative means if a person's right to exclusive use of his physical body were not already presupposed. Furthermore, it would be equally impossible to sustain argumentation and rely on the propositional force of one's arguments if one were not allowed to appropriate other scarce goods through homesteading action, i.e., by putting them to use before somebody else does, or if such goods, and the right of exclusive control regarding them, were not defined in objective, physical terms. Because if such a right were not presupposed, or if latecomers were supposed to have legitimate claims to things, or things owned were defined in subjective, evaluative terms, no one could survive as a physically independent decision-making unit, and hence no one could ever raise any validity-claiming proposition.

By being alive and formulating propositions, then, one demonstrates that any ethic except that of private property is invalid.

Osterfeld's fourth objection to my article states that my argument is an instance of ethical naturalism, but that I then

seem to fall afoul of the naturalistic fallacy of deriving an "ought" from an "is." I am willing to accept the first part of this proposition but not the second. What I offer is an entirely value-free system of ethics. I remain exclusively in the realm of is-statements and nowhere try to derive an "ought" from an "is." The structure of my argument is this: (a) justification is propositional or argumentative (*a priori* true is-statement); (b) argumentation presupposes the recognition of the private property ethic (*a priori* true is-statement); (c) no deviation from a private property ethic can be justified argumentatively (*a priori* true is-statement). Thus, my refutation of all socialist ethics is a purely cognitive one. And that Rawls or other socialists may still advocate such ethics is completely beside the point. That one plus one equals two does not rule out the possibility that someone says it is three, or that one ought not attempt to make one plus one equal three the arithmetic law of the land. But all this does not affect the fact that one plus one still is two. In strict analogy to this, I "only" claim to prove that whatever Rawls or other socialists say is false, and can be understood as such by all intellectually competent and honest men. It does not change the fact that incompetence or dishonesty and evil still may exist and may even prevail over truth and justice.

The second objection suffers from the same misunderstanding of the value-free nature of my defense of private property. Osterfeld agrees that argumentation presupposes the recognition of private property. But then he wonders about the source of this right. Yet how can he raise such a question? Only because he, too, is capable of argumentation. Without argumentation there would be nothing but silence or meaningless noise. The answer is that the source of human rights is, and must be, argumentation as the manifestation of our rationality. It is impossible to claim anything else to be the starting point for the derivation of an ethical system, because claiming so would once again have to presuppose one's argumentative capability. Could rights not be derived from a contract behind a "veil of ignorance," asks Osterfeld? Yes and no. Of course, there can be rights derived from contracts. But in order for a contract to be possible, there must already be private owners and private property, otherwise there would be no physically independent contractors, and nothing to contractually agree upon. And "no": no rights can be derived "from behind a veil of ignorance," because no one lives behind such a thing, except epistemological zombies, and only a Rawlsian zombie ethic can be derived from behind it. Can rights emerge from tradition à la Hume or Burke? Of course, they always do. But the question of the factual emergence of rights has nothing to do with the question of whether or not what exists can be justified.

In his third objection, Osterfeld claims that I construct an alternative between either individual ownership or world community ownership but that such an alternative is not exhaustive. This is a misrepresentation. Nowhere do I say anything like this. In the section to which Osterfeld refers, I am concerned with explaining the entirely different alternative between property as defined in physical terms and as originating at definite points in time for definite individuals, and, on the other hand, property as defined in value terms and unspecified with respect to its time of origin, and the refutation



Professor Hoppe lectured on the *Foundations of Austrian Analysis* at The Second Annual Conference in Advanced Austrian Economics, held at Stanford University in June.

of the latter as absurd and self-contradictory. I do not at all rule out the possibility of ownership of "intermediate communities." However, to repeat, such ownership presupposes individual, private ownership. Collective ownership requires contracts, and contracts are only possible if there are already prior non-contractually acquired ownership claims: contracts are agreements between physically independent units, which are based on the mutual recognition of each contractor's private ownership claim to things acquired prior to the agreement, and which concern the transfer of these property titles from a specific prior to a specific later owner or owners.

Regarding Osterfeld's first objection, I did not write that the fundamental goals of political economy and political philosophy are "complementary" ones. What I said is that they are different. No one trying to answer "What is just?" is logically committed to insisting that his answer must also contribute to the greatest possible production of wealth (at least I don't contend anywhere that there is any such logical commitment!). Hence, it is no valid objection to my remarks on the relationship between political philosophy and economy that Hobbes, Rousseau and others suggest that political systems do not increase wealth but rather scarcity. Their claim that such systems are just cannot be made good, and as it turns out, the ethic which alone can be justified indeed helps maximize wealth production. This is a—fortunate—matter of fact. It does not change in the least the fact that political philosophy and political economy are concerned with completely separate issues.

This and only this has been my thesis: While political philosophers as such need not be concerned with the problem of alleviation of scarcity, political philosophy and economy have in common the fact that without scarcity neither discipline would make any sense; there would be no interpersonal conflict over anything, and hence no question as to what norms should be accepted as just in order to avoid such possible clashes! It is no stretching of the point to say that

political philosophers have invariably been concerned with the assignment of rights of exclusive control over scarce goods. Such is the case when a Lockean proposes to accept the private property ethic, and no less when a Hobbesian suggests, instead, to make some person the supreme Fuehrer, whose commands everyone else must follow.

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New Palgrave:
A Dictionary of Economics
Edited by John Eatwell,
Murray Milgate, and Peter Newman

by Mark Thornton

The *New Palgrave* is the long-awaited update of *Palgrave's Dictionary of Political Economy* (edited by Henry Higgs, 1923-1926) which was itself an update of Robert Palgrave's *Dictionary of Political Economy* (1894-1899). The original dictionary was compiled to provide economists—who were becoming increasingly specialized—with a ready source of information that encompassed all the diverse areas within economics and included the leading figures, past and present, in those fields.

The four-volume update contains 1916 entries, 655 of which are biographical. The editors chose 927 contributors to compose the entries, most of whom are experts in their area or leading historians of thought. The four-volume set is 4,194 pages, leather-bound in half-calf, with gold leaf stamped on green and maroon. It is a truly impressive set for your library that weighs in at over 20 pounds! While both the production and content are of high quality, the quality of the contributions is uneven and the allocation of space presents some problems.

Although many leading Austrian economists are contributors it is certainly not flush or complete on "Austrian" topics. For example, praxeology is omitted and only discussed in Rothbard's spirited entry on "Ludwig von Mises."

An insight into the contributor selection process and the topics considered can be found in the contributions by the editors themselves. Among their contributions we find: "Keynesianism," "socially necessary technique," "Keynes's General Theory," "convexity," "duality," and "gauge functions." Two of the editors are card-carrying Keynesians while the third is an econometrician, so it is not difficult to see why Austrian economics did not fare better. The only mention of Austrian economics in the editors' 67 entries are in Milgate's short entries on William Smart and James Bonar. John Eatwell, formerly of Cambridge University, is now an economic advisor to the British Labour Party.

Some of the Austrian economists contributing to the *New Palgrave* are Israel Kirzner on "the Austrian school of economics" and "economic harmony" and "F. A. Hayek" (written with Roger Garrison). In addition to the entry on Ludwig