The Justice of Economic Efficiency

by
Hans-Hermann Hoppe

The central problem of political economy is how to organize society so as to promote the production of wealth. The central problem of political philosophy is how to arrange society so as to make it a just social order.

The first question is a question regarding matters of efficiency: what means are appropriate for achieving a specific result—in this case: wealth.

The second question falls outside the realm of the so-called positive sciences. It asks whether or not the goal which political economy assumes to be given can be justified as a goal, and whether or not, then, the means which political economy recommends can be regarded as efficient means for just ends.

In the following I will present an a priori justification for the thesis that these means recommended by political economy are indeed efficient means for just ends.

I will begin by describing the means recommended by political economy and explain systematically all the production of wealth attained by adopting them is greater than that produced by choosing any other means. Since my main task is to demonstrate the justice of these means of producing wealth, my description and explanation of economic efficiency will be extremely brief.

Political economy begins by recognizing scarcity. It is only because we do not live in the Garden of Eden that we are concerned about the problem of economic efficiency. According to political economy, the most efficient means of at least alleviating, if not overcoming, scarcity is the institution of private property. The rules underlying this institution have been correctly identified for the most part by John Locke. They are as follows: Every person owns his own body as well as all scarce goods which he puts to use with the help of his body before anyone else does. This ownership implies the right to employ these scarce goods however one sees fit so long as in so doing one does not aggess against anyone else’s property, i.e., so long as one does not uninvitedly change the physical integrity of another’s property or delimits another’s control over it without his consent. In particular, once a good has first been appropriated or homesteaded by mixing one’s labor with it—this being Locke’s phrase—then ownership in it can only be acquired by means of a contractual transfer of property title from a previous to a later owner.

The reasons this institution leads to the greatest possible production of wealth is straightforward: Any deviation from this set of rules implies, by definition, a redistribution of property titles, and hence of income, away from user-producers and contractors of goods and onto non-user-producers and non-contractors. As a consequence, any such deviation implies that there will be relatively less original appropriation of resources whose scarcity is realized, there will be less production of new goods, less maintenance of existing goods, and less mutually beneficial contracting and trading. And this naturally implies a lower standard of living in terms of exchangeable goods and services. Further, the provision that only the first user (not a later one) of a good acquires ownership assures that productive efforts will be as high as possible at all times. And the provision that only the physical integrity of property (not property values) be protected guarantees that every owner will undertake the greatest possible value-productive efforts, i.e., efforts to promote favorable changes in property values and also to prevent or counter any
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unfavorable changes in property values (as they might result from another person’s actions regarding his property). Thus, any deviation from these rules also implies reduced levels of value productive efforts at all times.

Now on to my main task of demonstrating that the institution of private property as just characterized is just. In fact, that only this institution is just and that any deviation from it is not only economically inefficient but unethical as well.

First, however, let me clarify an essential similarity between the problem facing political economy and that facing political philosophy—a similarity that political philosophers in their widespread ignorance of economics generally overlook only to wind up in endless ad hoceries. The recognition of scarcity is not only the starting point for political economy; it is the starting point of political philosophy as well. Obviously, if there were a superabundance of goods, no economic problem whatsoever could exist. And with a superabundance of goods such that my present use of them would neither reduce my own future supply, nor the present or future supply of them for any other person, ethical problems of right or wrong, just or unjust, would not emerge either, since no conflict over the use of such goods could possibly arise. Only insofar as goods are scarce, then, are economics and ethics required. And in the same way, just as the answer to the problem of political economy must be formulated in terms of rules constraining the possible uses of resources qua scarce resources, political philosophy, too, must answer in terms of property rights. In order to avoid inescapable conflicts, it must formulate a set of rules assigning rights of exclusive control over scarce goods. (Note, by the way, that even in the Garden of Eden, a person’s body, the space occupied by that body, and time would still be scarce and to that extent political economy and philosophy would still have some—however limited—task to fulfill.)

Now to the actual proof of the thesis that out of the infinitely conceivable ways of assigning rights of exclusive ownership to people, only the previously described rules of private property are actually justifiable. I will present my argument in a step-by-step fashion:

(1) First, while scarcity is a necessary condition for the emergence of the problem of political philosophy, it is not sufficient. For obviously, we could have conflicts regarding the use of scarce resources with, let us say, an elephant or a mosquito, and yet we would not consider it possible to resolve these conflicts by means of proposing property norms. The avoidance of possible conflicts, in such cases, is merely a technological, not an ethical problem. For it to turn into an ethical problem, it is also necessary that the conflicting actors be capable, in principle, of argumentation. In fact, this is undeniably so because we are also engaged in argumentation here. Denying that political philosophy presupposes argumentation is contradictory, as the very denial would itself be an argument. Only with argumentation does the idea of validity and truth—and by no means only the idea of truth in ethical matters but of truth in general—emerge. Only within argumentation are truth claims of any kind made; and it is only in the course of an argumentation that truth claims are decided upon. And this proposition, it turns out, is itself undeniably true: one cannot argue that one cannot argue; and one cannot dispute knowing what it means to make a truth claim without implicitly claiming at least the very negation of this proposition to be true. My very first step in the following chain of reasoning, then, has been called “the a priori of argumentation” by such philosophers as Juergen Habermas and K.O. Apel.1

(2) In the same way as it is undeniably true that ethics requires argumentation, it is also undeniably true that any argument requires an arguing person. Arguing does not consist of free-floating propositions. It is an activity. But if aside from whatever is said in its course, argumentation is also a practical affair, and if argumentation is the presupposition of truth-claiming and possibly true propositions, then it follows that intersubjectively meaningful norms must exist—namely those which make an action an argumentation—which must have a special cognitive status in that they are the practical preconditions of truth. And once more, this is true a priori, so that anyone, like an empiricist-positivist-emotivist, who denied the possibility of a rational ethics and who declared the acceptance or rejection of norms an arbitrary affair, would invariably get caught in a practical contradiction. For, contrary to what he would say, he would in fact have to presuppose the norms which underlay any argumentation whatsoever as valid simply in order to say anything at all.

(3) With this step I lose, once and for all, the company of philosophers like Habermas and Apel.2 And yet, as will become clear immediately, it is directly implied in the previous step. That Habermas and Apel are unable to take this step, I submit, is due to the fact that they, too, suffer, as do many other philosophers, from a complete ignorance of economics, and a corresponding blindness towards the fact of scarcity. The step is simply this: To recognize that argumentation is a form of action and does not consist of free-floating sounds, implies the recognition of the fact that any argumentation whatsoever requires that a person must have exclusive control over the scarce resource of his body. As long as there is no recognition of each other’s property right in his own body. It is this recognition of each other’s exclusive control over one’s own body, presupposed by any argumentation, which explains the unique feature of verbal communication, that, while one may disagree about what has been said, it is still possible to agree at least on the fact that there is such disagreement. And again, such a property right in one’s own body must be said to be justified a priori: for anyone who would try to justify any norm whatsoever would already have to presuppose an exclusive right to control over his body as a valid norm simply in order to say “I propose such and such.” And anyone who would try to dispute the property right in his body would become caught up in a practical contradiction, since arguing in this way would already implicitly have to accept the very norm which he was disputing. He would not even open his mouth if he were right.

(4) The final argument extends the idea of private property as justified, and justified a priori, from the very prototype of a scarce good, i.e. a person’s body, to other goods. It consists of two parts. I will first demonstrate that argumentation, and argumentative justification of anything, presupposes not only the right to exclusively control one’s body but the right to control other scarce goods as well. For if no one had the
right to control anything except his own body, then we would all cease to exist and the problem of justifying norms—as well as all other human problems—simply would not exist. We do not live on air alone, and hence, simply by virtue of the fact of being alive, property rights to other things must be presupposed to be valid, too. No one who is alive could argue otherwise.

The second part of the argument demonstrates that only the Lockean idea of establishing property claims through homesteading is a just principle of property acquisition. The proof employs a simple *argumentum a contrario*: If a person did not acquire the right of exclusive control over other, nature-given goods by his own work, that is, if other people, who had not previously used such goods, had the right to dispute the homesteader’s ownership claim, then this would only be possible if one would acquire property titles not through labor, i.e., by establishing some objective link between a particular person and a particular scarce resource, but simply by means of verbal declaration. Yet this solution—apart from the obvious fact that it would not even qualify as a solution in a purely technical sense in that it would not provide a basis for deciding between rivaling declarative claims—is incompatible with the already justified ownership of a person over his body. For if one could indeed appropriate property by decree, this would imply that it would also be possible for one to simply declare another person’s body to be one’s own. Yet, as we have already seen, to say that property is acquired not through homesteading but through declaration involves a practical contradiction: nobody could say and declare anything, unless his right to use his body was already assumed to be valid simply because of the fact that regardless of what he said, it was he, and nobody else, who had homesteaded it as his instrument of saying anything.

With this, my *a priori* justification of the institution of private property is essentially complete. Only two supplementary arguments may be needed in order to point out why and where all other ethical proposals, let me call them socialist, turn out to be argumentatively indefensible.

(1) According to the private property ethics, scarce resources that are under the exclusive control of their owners are defined in physical terms, and, *mutatis mutandis*, aggression is also defined as an invasion of the physical integrity of another person’s property. As indicated, the economic effect of this provision is that of maximizing value productive efforts. A popular deviation from this is the idea of defining aggression as an invasion of the value or psychic integrity of another person’s property instead. This idea underlies, for instance, John Rawls’s “difference principle” that all inequalities have to be expected to be to everyone’s advantage regardless of how such inequalities have come about; and also Robert Nozick’s claim that a “dominant protection agency” has the right to outlaw competitors regardless of their actual actions, and his related claim that “non-productive exchanges” in which one party would be better off if the other one did not exist may be outlawed, again regardless of whether or not such exchange involved any physical aggression.

Such proposals are absurd as well as indefensible. While every person can have control over whether or not his actions cause the physical integrity of something to change, control over whether or not one’s actions affect the value of someone’s property to change rests with other people and their evaluations. One would have to interrogate and come to an agreement with the entire world population to make sure that one’s planned actions would not change another person’s evaluations regarding his property. Everyone would be long dead before this was even accomplished. Moreover, the idea that property value should be protected is argumentatively indefensible: For even in order to argue, it must be presupposed that actions must be allowed prior to any actual agreement, because if they were not, one could not even argue so. Yet if one can, then this is only possible because of objective borders of property, i.e., borders which every person can recognize as such on his own, without having to agree first with anyone else with respect to one’s system of values and evaluations. Rawls and Nozick could not even open their months if it were otherwise. The very fact, then, that they do open them proves what they say is wrong.

(2) The second popular deviation, equally absurd and indefensible, is this: Instead of recognizing the vital importance of the prior-later distinction in deciding between conflicting property claims—as the private property ethics do, thereby, as indicated, assuring value productive efforts to be as high as possible at all times—the claim is made, in essence, that priority is irrelevant and that late-comers have rights to ownership just as first comers. Again, Rawls with his belief in the rights of future generations, just savings rates and such things, may be cited as an example. However, if late-comers indeed had legitimate ownership claims to things, then literally no one would be allowed to do anything with anything as one would have to have all of the later-comers’ consent prior to ever doing what one wanted to do. Neither we, our forefathers, nor our progeny could, or will survive if one were to follow this rule. Yet in order for any person—past, present, or future—to argue anything it must evidently be possible to survive then and now. And in order to do just this—and even people behind a Rawlsian “veil of ignorance” would have to be able to survive—property rights cannot be conceived of as being timeless and non-specific regarding the number of people concerned. Rather, they must necessarily be thought of as originating through acting at specific points in time for specific acting individuals. Otherwise, it would be impossible for anyone to first say anything at a definite point in time and for someone else to be able to reply. Simply saying, then, that the prior-later distinction can be ignored, implies a contradiction, as one’s being able to say so must presuppose one’s existence as an independent decision-making unit at a given point in time.

Hence, I conclude that any socialist ethic is a complete failure. Only the institution of private property, which also assures the greatest possible production of wealth, can be argumentatively justified, because it is the very precondition of argumentation.

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Notes

On the Ethical Foundation of Public Policy: Utilitarianism, Natural Rights, or Argumentation Ethics?

by Parth Shah

At the Ludwig von Mises Institute’s fifth anniversary conference held at Pace University in New York, October 1987, there was a remarkably candid and informative panel discussion on ethics, public policy, and the papers by Professor Leland Yeager (“Mises and His Critics on Ethics, Rights, and Law”) and Professor Hans-Hermann Hoppe (“The Praxeological Foundations of Epistemology and Ethics”).

In his presentation, Professor Yeager upheld utilitarianism, in the tradition of Ludwig von Mises and Henry Hazlitt, as “a particular approach to ethics in personal life and public affairs.” Social cooperation, he said, is the crucial means by which individuals attain their own varied ends. It is also the ultimate standard by which institutions, laws, traditions, ethical precepts, rules of behavior, and personal character traits should be judged. The test is: do they serve or subvert social cooperation?

Professor Yeager first presented his case that Mises was a utilitarian by quoting extensively from various works of Mises. He argued that criticisms of Mises’s utilitarianism, especially those provided by Professors Murray Rothbard and Karen Vaughn, were either self-inconsistently utilitarian or misdirected, because the critics only challenged action-utilitarianism, a straw man in which Mises never believed. According to Professor Yeager, any theory that takes into account consequences of any action or public policy in terms of human happiness would be considered a utilitarian theory.

He then took on the axiomatic natural rights theory of Professor Murray Rothbard in order to demonstrate the superiority of “rule” or “indirect” utilitarianism. Yeager chose not to criticize Rothbard’s axioms of self-ownership and property rights through homesteading, but instead directed his arguments against the axiomatic (a priori) method perse. As a utilitarian he declared the axiomatic method faulty by pointing out the consequences of that method, that is, by describing Rothbard’s axiomatically deduced position on crime, extortion, blackmail, contracts, and bankruptcy laws.

Professor Yeager concluded that although Mises did not articulate the distinction between the act and rule versions of utilitarianism, and although he did not explicitly address the axiomatic natural rights approach, Mises nonetheless was on the right track.

Professor Hoppe, in addition to defending the a priori method of deduction, put forward a novel and ingenious defense of private property rights called “argumentation ethics” or “the a priori of argumentation.” He argued that since every truth claim about either natural phenomena or moral norms must be decided upon in the course of an argumentation, the norm which permits argumentation must be considered valid. This norm is the mutual recognition of each arguer’s ownership over his mind and body.

Simply put, it would be a contradiction even to engage in an argument in order to deny the validity of the self-ownership norm. The mere act of argumentation presupposes that the other individual is distinct, separate, and sovereign over his mind and body. In addition, because argumentation is a special form of action, the status of “argumentation ethics” is similar to that of the axiom of human action, i.e., the point from which Austrian economics begins.

Once ownership over one’s mind and body is validated, property rights over other scarce resources appropriated through one’s labor can be established by logical extension, by means of an argumentum a contrario.

Professor Hoppe’s a priori justification of private property is quite distinct from that of natural rights theory or utilitarianism. The axioms of natural rights theory ultimately rely on the nature of man, and utilitarianism depends on the beneficial consequences of, say, the “rule” of private property. Argumentation ethics, on the other hand, relies on the integrity of deduction to establish ethical principles. There is, though, a similarity between natural rights theory and argumentation ethics in that both accept the Lockean homesteading principle.
The following is adapted from the panel discussion. The panel members were: Dr. David Gordon, senior fellow of the Ludwig von Mises Institute; Professor Hans-Hermann Hoppe, associate professor of economics at the University of Nevada, Las Vegas; Professor Murray N. Rothbard, S.J. Hall distinguished professor of economics at the University of Nevada, Las Vegas; and Professor Leland S. Yeager, Ludwig von Mises professor of economics at Auburn University. Llewellyn H. Rockwell, Jr., was the moderator.

QUESTION: Professor Yeager, a consequence of insider trading is that some people are harmed by it while others benefit. As a utilitarian, what would you view on insider trading?

YEAGER: An answer to your question doesn’t seem to follow merely from the philosophical position I discussed. I can’t state a firm position for or against insider trading. If I were to study the actual factual details of particular cases, I don’t know whether I would come out condemning it or not. There is a lot of more emotive reaction to insider trading. If insider trading involves violating a contract, it is wrong. Say, for example, someone has accepted, and is being paid for, a job that requires his keeping certain information confidential for his employer’s use. If, then, he steals the information for his own benefit, that is clearly wrong.

ROTHBARD: I think that Professor Yeager’s answer shows the difference between viewing liberty and the free market as an organic tendency versus holding it as an absolute principle. I am in favor of saying that there is nothing wrong with insider trading except for breach of contract. Moreover, insider trading laws eliminate trading by the most knowledgeable people in the market: the insiders. The people who are left to benefit are the brokerage houses, the ones who actually lobby to outlaw insider trading.

QUESTION: The question’s minor premise was left unanswered, namely, what does utilitarianism say about situations in which some people are alleged to benefit and other people are harmed. Let me give you different examples: what do you think about tariffs, minimum wage laws, or rent control laws? In each case some people are alleged to be harmed and other people are alleged to benefit. How does the utilitarian analyze these questions where we know a lot more about the facts than for insider trading?

YEAGER: Repealing any tariff is going to harm some people. James Buchanan would say that therefore it shouldn’t be done, unless you get the consent, or at least conceptual consent, of the people harmed. I don’t like that mode of argument.

Tariffs are an example of the private drafting of the coercive power of government into serving special interests. That makes for a bad kind of society, one where people latch on to coercion to serve their own interests. A good society does not have that sort of thing going on.

QUESTION: I accept that as a perfectly valid conclusion, but how as a utilitarian can you arrive at that kind of answer?

YEAGER: My practical norm is social cooperation, that is, what makes for a good society. As Hazlitt and Mises explain, social cooperation is the one means necessary to all the different ends people have. If people try to latch onto coercive power to take advantage of others, it makes for a dog-eat-dog, predatory society. Activities that serve cooperation should be praised and activities that subvert it should be condemned.

QUESTION: Professor Yeager, I noticed that in your talk and also in an article in the Cato Journal (1985) you implied that certain sets of rules necessarily bring happiness for the society at large. You don’t really say much about how such sets of rules should be chosen, or what criteria should be used, or who should choose them?

YEAGER: How do we decide whether to approve of some sets of rules and disapprove of others? Who decides? It is decided through a decentralized process of discussions among people, private conversations, personal negotiations, writings, all stretched out over a long period of time. We have the benefit of centuries of experience and discussion.

A process of elimination is going on. It is partly deliberate, as in discussion. It is partly the kind of natural selection that Hayek writes about. Societies practicing rules that subvert social cooperation tend to—though there is no guaranteed—shrive up; societies that tend to survive are the ones that practice rules that promote social cooperation and give their members opportunities to make good lives for themselves. The process is two-stranded because it works both through unarticulated natural selection and through actual discussion continuing over the ages, discussions in which we ourselves are taking part. The outcome of this two-stranded process is always tentative, and in a free society the existing rules are always open to reexamination and criticism. Sometimes we do change our judgments about them.

There is a necessity for continuity in the rules that are generally accepted. And yet they are open to modification. Continuity in the rules helps people predict the behavior of their fellows and thus promotes cooperation as opposed to clashes. But factual information changes, circumstances change, and so do the details of the rules that are generally accepted. These changes need not necessarily come through legislation. There has been considerable change in sexual morals, for example; now unmarried people can live together, which might have been condemned in the past. There is more recognition than before of what kinds of behavior victimize third parties and what kinds do not.

I would give a similar answer to the question of how we come to accept scientific propositions. No particular authority decides what we must believe in the realm of science; similarly, none decides what we should believe in the realm of ethics. But at any given time, there is a generally prevailing opinion, and experience and reasoning do have some influence on the evolution of beliefs.
ROTHBARD: Hayekian evolution has received an overly good press. What the "survival doctrine" implies depends largely on the time slot we're talking about. If this were 1937, it would look as if Fascism were sweeping Europe. You could have very well said that Fascism is obviously the doctrine that is surviving and democracies are falling apart. Thirty years later, of course, it's different.

Evil also survives. Many dictatorial, totalitarian regimes survived for a long time, sometimes thousands of years. A look back at the Roman Empire and Greek civilization shows that the same trends were going on then that are going on now: dictatorships, special privileges, liberty, and all the rest of it, battling each other. Thus, survival is a very shaky ground for talking about ethics or anything else. And just talking about physical survival doesn't establish an ethical system or ethical rules.

Second, I think Yeager misinterprets the doctrine of natural rights. We don't ignore utility, and neither does any ethical doctrine ignore utility altogether. The social-cooperation test comes out pretty well, in general. But there is more involved than simple consequences.

Say, for example, we have a society where redheads are considered demonic, evil, possessive of bad spirits, etc. There are very few redheads in this society, and they pop up only once in a while. Everybody hates them and thinks they are evil and destructive of life. With this scenario one can make a strong utilitarian case for public execution of these redheads. And because there are so few redheads, there would be no severe economic consequences. I don't see how a utilitarian could argue against this. It seems to me that the only way to escape this dilemma is to observe that redheads have natural rights, namely the absolute right to life.

There are many cases where broad or laissez-faire utilitarians and the natural-rights theorists can agree. But they would not agree on things like the absolute rights of redheads to survive even though they might be hated and despised by everyone. And of course, there are other cases, not just redheads, which are historically important, for example slavery in the South.

YEAGER: I don't want to be misunderstood on my attitude toward Hayekian natural selection. There is something to it: some selection process goes on. But I agree wholeheartedly with Professor Rothbard that we don't want to make survival a test of whether something is good or not.

GORDON: On the subject of social cooperation, Professor Yeager comments that happiness is better than misery and social cooperation is the best way to attain happiness. Moreover, he says that if someone wants to deny that happiness is better than misery, they wouldn't know how to argue against it. That seems to be quite right. But can't people who support natural rights say that they find happiness when people have natural rights? Why is it all right to say that you can't really make arguments for the proposition that happiness is better than misery, and at the same time say that it is arbitrary to postulate natural rights in an axiomatic fashion?

Secondly, it doesn't follow that happiness is the only thing better than misery even if we grant that happiness is better than misery. It is a separate proposition to claim that the ultimate criterion of ethics is "happiness is better than misery." Professor Yeager said that it would be startling if someone wanted to argue on some other basis than well-being. Even if one cannot argue for something entirely separate, it does not follow that one must base one's argument on well-being. The point is that our choice is not between using well-being as the ultimate criterion or just ignoring it altogether, as Professor Yeager has characterized it.

Finally, Professor Yeager made an excellent case that Mises held the views that Yeager attributed, but that is far from showing that Mises's view is what defines utilitarianism. And he charges that people come up with some rather tricky examples of act utilitarianism, thus setting up a straw man, when no one really believes in act utilitarianism. That is not my reading of the philosophical literature at all. In fact, act utilitarianism seems to be the favored form of utilitarianism, see for example David Lyons. And rule utilitarians are moving toward the contractual version of rule utilitarianism. Mises held a utilitarian position but it is setting up a straw man to say to the people who are arguing against act utilitarianism that they are setting up straw men.

ROTHBARD: I agree, but with this amendment. Professor Hoppe has worked out for the first time a derivation of the libertarian ethics without using any value premises. I think it is an unusual breakthrough. I wrote my article before Professor Hoppe's derivation.

QUESTION: Professor Hoppe, you make a distinction between a priori and a posteriori propositions. You argued further that a priori propositions, the foundation of your axiomatic method, must have some content of experience. Since both types of propositions involve experience, could you explain to me how, then, you make this distinction?

HOPPE: The rationalist philosophers didn't claim that a priori knowledge was knowledge that does not make use of observations. What they claimed was that in order to prove the validity of the statement it is not necessary to rely on observation. Of course, I must have some sort of experience.
But once these experiences are given, certain propositions can be defended without having to go out and test them, simply by pointing out that you can’t deny them without contradiction.

Thus a priori knowledge does not mean that it does not rely on the use of observations, and it does not mean that it does not rely on observations in order for somebody to come up with that knowledge. But a priori knowledge can be validated without having to go out and confront a proposition with contingent observations. And here is the test of whether knowledge can be classified as a posteriori or a priori. Everything that cannot be proven at the pain of self-contradiction must be classified as a posteriori knowledge, meaning I would have to acquire additional information of the empirical kind in order to find out whether or not it is true. And everything that can be verified independently of that is called a priori.

**QUESTION:** My question is directed toward Professor Yeager. How would the norm of social cooperation make me behave honestly?

**YEAGER:** Your question indicates a useful distinction. On the one hand utilitarianism develops criteria for judgments about public policy. On the other hand it bears on personal ethics and on how—not in detail but in general—one ought to run one’s own life.

What incentives does a person have to behave as a decent human being, by and large abiding by generally accepted ethical precepts? That is a difficult question. Henry Hazlitt has a pretty good treatment of it in his *Foundations of Morality*. I also like *Problems of Ethics* by Moritz Schlick, who doesn’t really come across as a positivist in that book. Mortimer Adler’s *The Time of Our Lives* is also good. Schlick puts the point nicely: being a decent person in the ordinary sense of the word and observing the usual ethical precepts tends to be conducive to a happier life than if you were a scoundrel. It is a question of what kind of person you want to be—an ordinary decent person as conceived by Mises, Rothbard, and Hazlitt, or, instead, someone like Richard Selden. Examples like this sometimes do help clear things up.

Do we honestly recommend that people cultivate the character of a Richard Selden on the grounds that doing so would contribute to their own interest, at least their own narrow self-interest? I don’t think we can. As Hazlitt, Adler, Schlick, and others explain, it is in one’s own interest to be a decent person in the ordinary sense of the word.

**QUESTION:** I have a question for Professor Hoppe. Does the idea of personal sovereignty extend to knowledge? Am I sovereign over my thoughts, ideas, and theories? I would also like you to comment on Professor Yeager’s views on utilitarianism.

**HOPPE:** To answer the first question, in order to have a thought you must have property rights over your body. That doesn’t imply that you own your thoughts. The thoughts can be used by anybody who is capable of understanding them. In any case, to even open your mouth and say anything you must assume the norm that you have property rights in your body.

I do not doubt that Professor Yeager correctly described Mises’s position as utilitarianism, but that doesn’t make the position right. In my impression, if this position is carried through it’s nothing but plain relativism.

Let me point out what I consider to be the essential problems with utilitarianism. To simplify that set of rules which is conducive to social welfare or the happiness of society, doesn’t dispense us from then defining a criterion which we can use in order to define which of the two alternative rules is capable of yielding a higher happiness and which one is not. I have to hear what that criterion may be.

Evidently we must be able to solve two problems if utilitarianism is to work. It must be possible, even though Professor Yeager thinks that it is not necessary, that we can aggregate utilities of people. Otherwise I don’t see how we can say this or that is more conducive to the welfare or to the happiness of society. We must be able to aggregate happiness.

I also don’t see how that aggregation could be done. But apart from that, even if it could be done, then there is still the problem of defining the units in which you measure this utility. This unit evidently must be defined in physical terms. I do not see how else we can define it. If you define it in physical terms, you must already presuppose some sort of property rights. If a utilitarian and a natural rights person were to argue over who is right in this respect, simply by virtue of the fact of engaging in this sort of discussion it must be presupposed that one owns one’s body, otherwise one could not present one’s natural rights position, and Professor Yeager could not offer his utilitarian position. But by the fact that he offers his position he is already retracting himself because if he did not have an absolute right in his body, if he would not presuppose it, I do not see how he can argue anything. He could not even present his utilitarian arguments.

My final remark concerns the kind of method that Professor Yeager uses to refute the axiomatic approach. You might have noticed that he did not undertake a clear-cut refutation. Instead, he presented the axioms, then he listed the conclusions that Rothbard derives from these axioms; he does not like these derivations and because he does not like them, he thinks there must be something wrong with the axioms and the axiomatic method. Now this, of course, is not the way things are to be done. One must, to make that point, first prove that the axioms are not right. He did not do that.

**YEAGER:** What criterion do we have for choosing among alternative sets of rules? The criterion is whether the rules are likely to serve or subvert social cooperation and thereby serve or subvert happiness. A great range of empirical research that we might do bears on this question. The subject matter includes psychology, political science, the theory of bureaucracy, sociology, and economics. We can address a great many factual questions to each other before reaching a position of simply disagreeing about ultimate value judgments.

We should not prematurely give up our discussion and say, “Well, it’s just a matter of value judgments; you think this way and I think that way.” Let me give you an example of what I mean by giving up prematurely. Years ago, back in the 1950s, I was having a discussion with a colleague, who
finally said, "Well, I see we're not getting anywhere in this
discussion. You are one of those people who believe in
monetary policy and I am one of those who believe in fiscal
policy. There is no room for discussion. We just have
different beliefs."

This of course is the opposite of a sensible way to deal with
disagreements. Whether one believes in fiscal or monetary
policy is poles apart from an ultimate value judgment. All
sorts of empirical considerations can be brought into the
discussion before we have to give up and say we just disagree.
We are in the same position as scientists disagreeing about
the interpretation of some natural phenomenon. There is no
ultimate authority. We investigate, we reason, we discuss.
Our criterion, in matters of policy, as in physical science, is
very largely empirical reality, as manifested, for example, in
laws of economics, characteristics of bureaucracy, and expe-
rience with different political systems. Fundamental value
judgments, about which I doubt we would disagree, also enter
into our discussions.

I pass over questions of how we measure individual
utilities and calculate aggregate utility. Of course we don't
measure and calculate them.

Professor Hoppe said that I didn't refute the axiomatic
approach, which would have required showing that the
axioms are wrong. I don't necessarily believe that the proposi-
tions about self-ownership and about Lockean homesteading
are wrong. I do not agree, however, that these are the two
pillars from which our positions even on specific issues can be
spun out. What I really disagree with is the endeavor to put
any utilitarian considerations aside that may get in the way
of those two Lockean propositions, with social philosophers
blinding themselves from then on to the way things work--to
consequences, to utilitarian considerations. That is what I
find wrong with the axiomatic approach. I doubt that the
Lockean propositions can serve as decisive axioms, but I do
not necessarily reject them. We might well discuss how close
or how far apart we are on them.

Professor Hoppe's solution here appears to appeal to
what is presupposed in any discussion. If I am to take part in
a discussion with him about anything, then I am somehow
bound to accept property rights. I hardly know how to refute
that argument. It isn't an argument at all. I can well imagine
discussions and arguments on all sorts of topics—the relation
between the sides and hypotenuse of a right triangle, the
desirable provisions of bankruptcy laws, and the issue of
whether slavery should be abolished, and if so, with or without
compensation to slave-owners—going on between, say, two
slaves, or between two slave-owners, or between a slave-
owner and his slave. I would not necessarily accuse these
people of contradicting themselves.

**QUESTION:** If you are going to base utilitarianism not
on what is best for the aggregate but on some argument
making reference to the nature of the individual, then it seems
like you are coming close to the natural rights position. You
may call it utilitarianism but you are rather far away from
most other people who call themselves utilitarians.

**YEAGER:** I'm not far away from my own brand of it.

**QUESTION:** I'd like to direct the question to Professor
Hoppe or Rothbard, whoever would like to pick it up. Is there
a presumption here that, if you take the absolute natural
rights position you can always spin out immediately the
correct solution to any particular problem? Or does there
need to be the kind of discussion that Professor Yeager
probably refers to? Just take two contemporary issues,
surrogate motherhood and how does society deal with people
who have AIDS. There you have all kinds of conflicting
considerations that might be taken into account. Which ones
do we ignore and which ones do we pick up?

**HOPPE:** Taking the axiomatic or a priori approach that
I utilize doesn't mean that one doesn't have to carefully think
ethical problems through. But at least in principle, the
axiomatic theorist must be able to give an answer on the spot.
Now you have seen from Professor Yeager that he is not going
to do anything like that. On the problem of insider trading he
favors a position that we do not know. He says we have to
acquire this knowledge, and that knowledge, and three days
from today somebody else might come up with some knowl-
edge, and then opinions might change again. If it is your
position that you cannot decide once and for all what is the
right solution to a moral problem then I do not see what else
we can call it but relativism. It is an approach that relegates
decisions about ethical problems to the status of waiting for
hunches to go up and down.

**ROTHBARD:** Contrary to Professor Yeager, the natural
rights position doesn't rely on values different from that of
utilitarianism. Besides, facts and values are not totally
separate, and thus we don't have to believe in the fact-value
dichotomy. In the doctrine of natural law, values are ulti-
ately based on the fact of human nature and the nature of
the universe.

Political ethics, which is my specialty, deals with the
analysis of what the proper role of violence is, that is, the
question of what is the proper role of defensive violence and
aggressive violence? When you are dealing with what should
be legal or illegal, you are dealing with should this thing be
prohibited by the use of violence or not. In this area every
case can be resolved with the use of basic principles: no initiative
violence should be used against the person or property of
anybody else. Take surrogate motherhood, for example. I see
nothing wrong with surrogate motherhood from a legal point
of view. You can argue on some sort of moral position that it
shouldn't be done. But certainly from the legal point of view
it should not be illegal.

The AIDS situation is a difficult one. Do you outlaw
somebody with a cold? If somebody is walking around with
a cold, shouldn't he or she be quarantined coercively? You can
make a case for it but it would be anti-liberty. It seems to me
that in fuzzy and cumbersome cases, one should lean over
backward towards liberty. In the case of somebody, for
example, who deliberately putting germs in the reservoir or
in somebody's back yard, an obvious act of aggression
committed. Similarly, for example, it is a criminal act for
people with AIDS to deliberately infect other people, and it
should be treated as such.
Mises Institute's Fifth Anniversary Honors Henry Hazlitt

by

John McCallie

Resounding applause greeted Henry Hazlitt as he rose to speak to the audience at the Fifth Anniversary Dinner held in his honor on October 17. Over 150 of Hazlitt’s friends and admirers attended the dinner in New York City to pay homage to Mr. Hazlitt’s seven decades of work to advance Misesian economics and the ideas of liberty. His prodigious efforts include 25 books, including the immensely popular Economics in One Lesson, plus thousands of articles.

In a characteristically witty and charming talk, Henry Hazlitt recounted many fascinating and humorous events in his life. Prior to Hazlitt’s talk, encomiums and messages were presented by Margit von Mises, Mark Skousen, Ron Paul, John V. Denson, Leland Yeager, Murray N. Rothbard, John Fund, Kenneth Auchincloss, William F. Buckley Jr., F.A. Hayek, Ronald Reagan, and Llewellyn H. Rockwell, Jr.

In conjunction with the dinner, the Mises Institute sponsored a fifth anniversary conference on “The Meaning of Ludwig von Mises” at Pace University. Guest speakers included: Dr. Walter Block, Fraser Institute; Professor Richard Ebeling, University of Dallas; Professor Roger Garrison, Auburn University; Dr. David Gordon, senior fellow of the Ludwig von Mises Institute; Professor Hans-Hermann Hoppe, University of Nevada, Las Vegas; Professor Murray N. Rothbard, University of Nevada, Las Vegas; Dr. Mark Skousen, Rollins College; Professor Leland B. Yeager, Auburn University.

Walter Block in “Mises on Money vs. Friedman, Greenspan, Hayek, and Mundell,” contrasted Mises’s views on money with those of other allegedly free-market advocates. Block tackled Friedman’s age-old argument that the gold standard costs more resources than the fiat paper standard. And even if it were true that the gold standard was more costly, Friedman ignores the primary virtue of the gold

Correction:

"Adam Smith Reconsidered" by Murray Rothbard, AEN vol. 9, no. 1, Fall 1987, p. 8, read: while Smith was away to help the rebellion. Correction: while Smith was away studying in Oxford, all of his Moderate friends enlisted in the army to help crush the rebellion.
standard: it keeps politicians away from money manipulation. Robert Mundell's position on the gold standard represents an unusual departure from other reforms that call for some tenuous tie to gold, but falls short of a pure gold standard. Hayek opposes all attempts toward restoring the gold standard and instead hopes that the elimination of legal tender laws will be sufficient to provide conditions for the emergence of new free-market money. But Block noted that the market has grown accustomed to using the fiat dollar, and it is unlikely under normal conditions that a new money will emerge in the market. Legal tender laws should be repealed, but Block argued that such a step will be largely irrelevant to the development of sound money. As for Alan Greenspan--recently elected chairman of the Federal Reserve--Block suggested that he favors the gold standard only on a high philosophical level, but in practice he is a conservative Keynesian.

In "Economic Calculation under Socialism: Mises and His Predecessors," Professor Richard Ebeling pointed out that Mises's calculation argument relied on thinking of the market as a process of rivalrous competition between actors with imperfect knowledge. The socialists with whom he debated were working within the framework of static equilibrium and perfect knowledge, and thus were assuming the central planners could acquire, digest, and use all the relevant knowledge to plan effectively. Ebeling also discussed five pre-Austrians who anticipated Mises by writing critically of socialist planning, calculation, and money prices, and their arguments were remarkably similar to those developed by the Austrians.

Professor Murray Rothbard lectured on "Ludwig von Mises as Hero," uncovering interesting episodes in the life and work of Mises. Even though Mises's Theory of Money and Credit was considered a seminal work on the subject, Mises received no paid academic post until he emigrated to Switzerland. Even the position at New York University's Business School in the 1940s was supported by a caucus of friendly businessmen, not the University. Prior to the publication of Human Action, several of Rothbard's colleagues announced Mises's forthcoming work. When Rothbard asked what the book was about, they declared, "Everything!" Many others were influenced by Socialism, but, Rothbard recalls, it was Human Action that made Rothbard a Misan.ian.

As the stock market tumbled a few blocks from the lecture hall at Pace University, Professor Mark Skousen discussed "The Theory and Practice of Misesian Economic Forecasting." Skousen also writes an investment letter called "Forecasts and Strategies" and he had advised his subscribers to sell all stocks on September 8th. Skousen also spoke about the 1929 crash and who had predicted it. The economists who failed were Irving Fisher, "the premier quantity theorist," Wicksell, Cassell, Keynes, Haberler, and Wesley Mitchell (an authority on business cycles). Mises and Hayek, along with Roger Babson, were the economic dissenters who had forecast the crash. Hayek was more precise than Mises, who warned of the crash in 1924.

Professor Roger Garrison discussed "Mises and His Method" which centered on Mises's work-a-day methods and avoided the "black hole" of the more intricate epistemological issues. Regarding mathematics, Mises was trying to identify causal links between the actions and choices of individuals and their consequences in the market. He rejected mathematics on the basis that it was blind to causality. On the other hand, Garrison observes that economists like George Stigler ignore causality altogether and see no problem in doing so. In other respects, causality has been redefined by the profession as that which comes first-called Granger Causality--a sophisticated version of the post hoc ergo propter hoc fallacy. Garrison also provided some useful hints for handling assumptions in economic science.

Saturday morning, Professor Hans-Hermann Hoppe spoke on "The Praxeological Foundation of Epistemology and Ethics." In a similar stance to Mises, Hoppe spelled out what is implied in the concept of human action. Once understanding and reflection establishes the a priori proposition of human action, a proposition that cannot be denied without contradiction, we can then deduce costs, profits, and losses. With auxiliary assumptions in place economic science can proceed by means of formal logic. This is praxeology, under which Hoppe proposes the inclusion of the second apriori axiom, the a priori of argumentation, which has epistemological implications and also implies the validity of the concepts of self ownership and private property.

Professor Leland Yeager's paper on "Mises and His Critics on Ethics, Rights, and Law," defended utilitarianism against the theory of natural rights. Happiness, Yeager says, denotes in a single word what constitutes the good life: happiness for the majority being the end, and social cooperation being the means to attain it.

Dr. David Gordon makes a distinction between two meanings of history in his paper "The Misesian Theory of History." One is the theory behind the history of the events in time and the other is the discipline of writing about it. Both meanings have to recognize the problems introduced by the observation that mental events are unobservable and are dependent on individual values. Gordon discussed Mises's view of individual action against the view of Hegel and Marx that entities other than individuals act and that there are laws of history based on the correlation of events. Nor did Mises hold that different people in different contexts have different logics, as in, Marxist polylogism.

All the papers presented at the conference will be published by Lexington Books under the title the Meaning of Ludwig von Mises. The large volume will also include contributions by: Professor Israal Kirzner, New York University, who has written on Mises's theory of interest; Professor Joseph Salerno, Pace University, who has written on Mises's view of equilibrium and evolution; and Professor Roger Arnold, the University of Nevada, Las Vegas, whose paper discusses Mises and the public choice school.

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Conference Tapes Available

If you would like a complete set of "The Meaning of Ludwig von Mises" conference tapes (11 audio tapes) please mark the enclosed card along with your check for $65.00.
The Southern Economic Association  
57th Annual Conference

by
Mark Thornton

The 57th annual conference of the Southern Economic Association convened in Washington, D.C., November 22-24th. Austrian economists had an active presence in presenting papers and serving as discussants.

The opening session, “Topics in Economic Calculation,” was organized by professor Robert Ekelund of Auburn University, a board member of the Review of Austrian Economics. Mark Thornton of Auburn University presented his paper “New World Utopias and the Socialist Calculation Debate,” which illustrated the impossibility of organizing society with voluntary socialism. Don Boudreaux of George Mason University and Roger Koppl of Auburn University presented “The Dimensions of Marginalism,” demonstrating some benefits of a broader conception of competition.

Austrians also participated in the session on “Counter-Methology and Applications.” Econometrics was criticized by Steven Caudill of Auburn University in “Econometrics in Theory and Practice,” as well as by discussant Samuel Bostaph, University of Dallas. Papers presented by David Tuerck, Suffolk University, and Leland Yeager, Auburn University, were critical of aspects of Austrian methodology and drew sharp criticism from discussants Don Boudreaux and Bruce Caldwell, University of North Carolina at Greensboro.

In a session on Monetary Theory, Michael Montgomery of Auburn University presented “Unanticipated Money Growth, ‘Time to Build’ and Persistence Under Rational Expectations,” an attempt to broaden the rational expectations model to include Austrian notions of capital and time. Clifford Thies, University of Baltimore, cited recent developments in banking and finance as consistent with Menger’s theories in his paper “The Continuing Evolution of Money: An Austrian Perspective.”

Other papers of interest: Don Bellante (University of South Florida), “Labor Markets and the Welfare State,” developed an Austrian critique of labor legislation; Jennifer Roback (George Mason University), “The Work of W.H. Hutt” with Mr. Hutt serving as discussant; Randall Holcombe (Auburn University), “Tax Incentives for Privatization,” Karen Vaughn (George Mason University), Paul Heyne (University of Washington), Karl Brunner (University of Rochester), and Richard Wagner (Florida State University) participated in an interesting session “Economics and Religion.” Mark Thornton (Auburn University), presented “Ballot Access Requirements as a Barrier to Entry.” David Collander (Duke University) continued his crusade against mainstream economics and alternative schools of thought, in “How to Tear Down Economists’ World: The Role of the Heterodox Economist.”

The distinguished guest lecture was given by 1986 Nobel Laureate James Buchanan on “Relatively Absolute Absolu-

Fertig Center Holds First Seminar

by
Mark D. Hughes and Jeffrey A. Tucker

The Mises Institute celebrated the opening of the Lawrence Fertig Student Center, near George Mason University, with a two-day lecture series by Professor Hans-Hermann Hoppe, associate professor of economics at the University of Nevada, Las Vegas, and senior fellow at the Mises Institute. The lectures, which were held on November 22-23, were given to capacity audiences.

The first lecture was a Member’s Seminar on “Socialism: A Misesian View” at which Professor Hoppe discussed the theory of socialism, proving through a process of logical deduction the negative consequences of common ownership of the means of production. Drawing insights from Ludwig von Mises’s Socialism (1936), Professor Hoppe said that establishing common ownership of the means of production redistributes property titles, favors non-savers over savers, reduces output and quality, leads to calculation problems and thus misdirects resources, and politicizes society. He cited the differences between East and West Germany as a case in point.

The second lecture, a graduate seminar, dealt with the fundamental matters of economic science: “On Praxeology and the Praxeological Foundations of Epistemology and Ethics.” In his talk, Hoppe applied the Misesian theory of the logic of action, derived from synthetic a priori propositions, to the theory of knowledge and the theory of property rights. Hoppe’s approach helps assuage the tension in Austrian economics between the value-neutrality of theory and the value-orientation of free-market policy prescriptions. Hoppe’s exposition of praxeology may provide a means for complete wertfreiheit in all spheres of economic inquiry. The significance of praxeology as a tool of analysis, and Professor Hoppe’s work in praxeology, should prove to be enormous as Austrian economics continues to develop and build on the foundations provided by Mises himself.

Both meetings were followed by lively discussions and receptions at which Hoppe fielded additional questions. The Fertig Center will continue to offer lectures in Austrian economics to scholars and Institute Members in the George Mason University, Fairfax, Virginia area.

(Continued from previous column)
Duke University Acquires
Carl Menger's Personal Papers

by
Mark D. Hughes

Carl Menger’s personal papers were recently acquired by Duke University at Durham, North Carolina. The University has been actively collecting the personal papers of many important and prominent economists. These acquisitions are largely due to the efforts of E. Roy Weintraub, professor of economics and Crawford D. Goodwin, professor of political history and editor of the journal History of Political Economy. During December Duke University will also take possession of the personal papers of Austrian fellow traveler and Mises student Oscar Morgenstern.

Professor Goodwin and Duke University curator Robert Bird are working closely on restoration and translation of the Menger papers. At this time the Menger collection is only partially indexed, but according to Professor Weintraub, it is available for graduate students to examine. Most of the material has never been read other than by those close to Carl Menger, so it represents an exciting dissertation topic for an enterprising graduate student.

A conference on Carl Menger is being organized by Professor Goodwin for 1989 at Duke to coincide with the publication of the restored Menger papers, and it should further create new interest in early Austrian ideas. A similar conference on Oscar Morgenstern is being considered for the following year.

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If you would like to order a set of tapes, mark the appropriate box on your return card and enclose your check for $65.00 (this includes postage), plus any tax-deductible contribution for the Institute’s work, in the enclosed postage-paid envelope.