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The Undeniable Morality of Capitalism

N. Stephan Kinsella

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# BOOK REVIEW

## THE UNDENIABLE MORALITY OF CAPITALISM

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*The Economics and Ethics of Private Property: Studies in  
Political Economy and Philosophy  
by Hans-Hermann Hoppe  
(Kluwer Academic Publishers 1993)*

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## I. INTRODUCTION

If Professor Hans-Hermann Hoppe's books and articles would come already-underlined and highlighted, it would save readers a lot of time. Or at least each book should come with a free pen attached. For when I follow my usual habit of underlining, circling, checking, starring, or highlighting important insights in the books I read, I find that my copies of Hoppe's books start to look as if a two-year-old with a crayon had gotten hold of them.

In 1989 Hoppe published *A Theory of Socialism and Capitalism*,<sup>1</sup> arguably the most important book of the decade, if only for the revolutionary "argumentation ethic" defense of individual rights presented in Chapter 7, "The Ethical Justification of Capitalism and Why Socialism Is Morally Indefensible." Over the past few years, Hoppe has produced a significant assortment of articles elaborating on his argumentation ethic and the epistemology that underlies it, as well as on his impressive economic writings. His new book, *The Economics and Ethics of Private Property*,<sup>2</sup> is a collection of almost all of these related writings (not counting a large number of writings published previously in German). This may

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1. HANS-HERMANN HOPPE, *A THEORY OF SOCIALISM AND CAPITALISM: ECONOMICS, POLITICS, AND ETHICS* (1989).

2. HANS-HERMANN HOPPE, *THE ECONOMICS AND ETHICS OF PRIVATE PROPERTY: STUDIES IN POLITICAL ECONOMY AND PHILOSOPHY* (1993) [hereinafter *ECONOMICS AND ETHICS*]. Both this book and Hoppe's *A Theory of Socialism and Capitalism* are published by Kluwer Academic Publishers for the Ludwig von Mises Institute of Auburn University.

come as a disappointment to some, who, like me, were expecting a new treatise, building upon the prior one. The book is significant, nonetheless, for its drawing together of material previously published in such varied sources as *Liberty* magazine, the *Journal of Libertarian Studies*, the *Review of Austrian Economics*, *Ratio*, and others, and for, especially, its content.

## II. CRITICISMS

A few criticisms of the book can be made. The book, which is a collection of previously published articles, is nowhere described as such, which may lead some potential buyers to expect a new treatise or at least all-new material. An introduction or subtitle should have alerted the reader to the fact that the book consists of reprinted articles. (Much of Chapter 8, "From the Economics of Laissez-Faire to the Ethics of Libertarianism," previously published in *Man, Economy, and Liberty: Essays in Honor of Murray N. Rothbard*,<sup>3</sup> also appeared in Chapter 7 of *A Theory of Socialism and Capitalism*.) Besides a threadbare preface, the book contains no introduction or foreword explaining the history of Hoppe's ideas or publications; there is nothing explaining the reception of Hoppe's 1989 book by libertarian or other scholars, nor anything putting the significance of the ideas in context.

Page 253, at the end of the book just before the Name Index and entitled only "References," contains a poorly edited list of articles and book chapters. These are not really "references," but actually the first places in which the chapters in *The Economics and Ethics of Private Property* were published.

Because the chapters in the book were published separately as independent articles, there is some overlap between them, and thus some redundancy. A few times the text of several paragraphs in one article is reproduced verbatim in another article. For example, three nearly identical discussions of the ways of acquiring wealth appear in Chapters 2,<sup>4</sup> 3,<sup>5</sup> and 4,<sup>6</sup> and multiple presentations of

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3. *MAN, ECONOMY, AND LIBERTY: ESSAYS IN HONOR OF MURRAY N. ROTHBARD* (Walter Block et al. eds., 1988).

4. *ECONOMICS AND ETHICS* 40.

5. *Id.* at 66.

6. *Id.* at 100.

Hoppe's argumentation ethic appear in Chapters 8,<sup>7</sup> 9,<sup>8</sup> 10,<sup>9</sup> 11,<sup>10</sup> and in all four Parts of the Appendix.<sup>11</sup> Perhaps Hoppe feels that hitting readers over the head with the same argument will eventually convince them. Perhaps he is correct, for the arguments do grow on the reader.

There are a couple of things that should have been included in the volume. One is an important article of Hoppe's often cited by Hoppe himself, "In Defense of Extreme Rationalism," published in the *Review of Austrian Economics*.<sup>12</sup> Additionally, in the "Appendix: Four Critical Replies" section, Hoppe's responses to various criticisms, published in *Liberty* and the *Austrian Economics Newsletter*, are reprinted. However, the initial criticisms themselves (by David Osterfeld, Leland Yeager, David Gordon, Tibor Machan, David Conway, Loren Lomasky, and others) to which Hoppe is responding are not published.<sup>13</sup> This is unfortunate, because these criticisms are interesting and enlightening, and also make Hoppe's response to them more comprehensible.

Many of Hoppe's citations are to articles and books published in the German language; it would have been helpful for an English-language translation of each article and book title to have accompanied the citation, as well a citation to an English translation of the work cited, when available. Many U.S. readers will not know what "Moralbewusstsein und kommunikatives Handeln" ("moral

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7. *Id.* at 180-86.

8. *ECONOMICS AND ETHICS* 198-99.

9. *Id.* at 204-07.

10. *Id.* at 228-30.

11. *Id.* at 237-38, 241-42, 247-48, 249-52.

12. Hans-Hermann Hoppe, *In Defense of Extreme Rationalism: Thoughts on Donald McCloskey's The Rhetoric of Economics*, 3 *THE REVIEW OF AUSTRIAN ECONOMICS* 179 (1989). This journal is published by Kluwer Academic Publishers for the Ludwig von Mises Institute. See *supra* note 2 for further information.

13. Hoppe's article in *Liberty*, *The Ultimate Justification of the Private Property Ethic*, *LIBERTY*, Sept. 1988, at 20, was the subject of the symposium, *Hans-Hermann Hoppe's Argumentation Ethics: Breakthrough or Buncombe?*, *LIBERTY*, Nov. 1988, at 44, which also contained Hoppe's reply, *Utilitarians and Randians vs. Reason*, *LIBERTY*, Nov. 1988, at 53. Articles published in the *Austrian Economics Newsletter* by or about Hoppe include David Osterfeld, *Comment on Hoppe*, Sheldon L. Richman, *Comment on Osterfeld*, and Hans-Hermann Hoppe, *Demonstrated Preference and Private Property: A Reply to Professor Osterfeld*, *AUSTRIAN ECONOMICS NEWSLETTER*, Spring/Summer 1988, at 9, 10. See also David Conway's book review of Hoppe's *A Theory of Socialism and Capitalism*, and Hoppe's response, *On the Indefensibility of Welfare Rights: A Comment on Conway*, *AUSTRIAN ECONOMICS NEWSLETTER*, Winter/Spring 1990, at 11, 14.

consciousness and communicative action”)<sup>14</sup> means and therefore will not even know what this book by Jürgen Habermas is about.<sup>15</sup> Referring to page numbers in the German original of a work does not help the reader locate the same text even if he does find an English translation.

Additionally, although Hoppe is an excruciatingly analytical and logical thinker, he does not always break his articles up into subsections with numbered topic headings, with an accompanying table of contents, which would be an aid to any reader, making the structure of the thoughts presented in the article easier to see.

### III. INDIVIDUAL RIGHTS

#### A. *The Reception of Hoppe's Ideas*

In spite of its shortcomings, the book is nevertheless fascinating, stimulating, provocative, and ground-breaking. In the September 1988 issue of *Liberty*, Hoppe published “The Ultimate Justification of the Private Property Ethic.” This article gave rise to a sympo-

14. ECONOMICS AND ETHICS 197 n.1.

15. Jürgen Habermas's works, often in German, are cited frequently throughout the book. Habermas's work on “communicative action” is crucial in Hoppe's own “argumentation ethic.” Habermas's writings published in English, or English-language discussions of Habermas's works, include: KENNETH BAYNES, *THE NORMATIVE GROUNDS OF SOCIAL CRITICISM: KANT, RAWLS, AND HABERMAS* 77-122 (1992); JANE BRAATEN, *HABERMAS'S CRITICAL THEORY OF SOCIETY* (1991); JÜRGEN HABERMAS, *COMMUNICATION AND THE EVOLUTION OF SOCIETY* (Thomas McCarthy trans. 1979) (1976); JÜRGEN HABERMAS, *KNOWLEDGE AND HUMAN INTERESTS* (Jeremy Shapiro trans. 1971) (1968); JÜRGEN HABERMAS, *LEGITIMATION CRISIS* (Thomas McCarthy trans. 1975); JÜRGEN HABERMAS, *MORAL CONSCIOUSNESS AND COMMUNICATIVE ACTION* (Christian Lenhardt & Shierry Weber Nicholsen trans. 1990) (1983) (containing English translation of work originally published in German as “Moralbewusstsein und kommunikatives Handeln”); JÜRGEN HABERMAS, *THE PHILOSOPHICAL DISCOURSE OF MODERNITY* (Fredrick Lawrence trans. 1987) (1985); JÜRGEN HABERMAS, *THEORY AND PRACTICE* (John Viertel trans. 1973) (1971); JÜRGEN HABERMAS, *THE THEORY OF COMMUNICATIVE ACTION* (Thomas McCarthy trans. 1984 & 1987) (two volumes); THOMAS MCCARTHY, *THE CRITICAL THEORY OF JÜRGEN HABERMAS* (1981); THOMAS MCCARTHY, *IDEALS AND ILLUSIONS: ON RECONSTRUCTION AND DECONSTRUCTION IN CONTEMPORARY CRITICAL THEORY* (1991); M. PUSEY, *HABERMAS: CRITICAL DEBATES* (John B. Thompson & David Held eds. 1982); M. PUSEY, *JÜRGEN HABERMAS* (1986); M. PUSEY, *HABERMAS AND MODERNITY* (Richard J. Bernstein ed., 1985); DAVID M. RASMUSSEN, *JÜRGEN HABERMAS ON SOCIETY AND POLITICS: A READER* (Steven Seidman ed., 1989); DAVID M. RASMUSSEN, *READING HABERMAS* (1990); STEVEN WHITE, *THE RECENT WORK OF JÜRGEN HABERMAS* (1988); Gary C. Leedes, *The Discourse Ethics Alternative to Rust v. Sullivan*, 26 U. RICH. L. REV. 87, 108-11 (1991); Lawrence B. Solum, *Freedom of Communicative Action: A Theory of the First Amendment Freedom of Speech*, 83 Nw. U. L. REV. 54, 86-106 (1989).

sium, "Breakthrough or Buncombe?", published in the November 1988 issue of *Liberty*, containing the critical comments of ten commentators, including Murray Rothbard, Tibor Machan, David Friedman, Leland Yeager, David Gordon, David Ramsay Steele, and others.<sup>16</sup>

Amazingly, almost all of these libertarian commentators were unimpressed by, if not downright hostile to, Hoppe's argument. Only Professor Murray N. Rothbard gave Hoppe's thesis wholehearted endorsement and recognized its validity and significance:

In a dazzling breakthrough for political philosophy in general and for libertarianism in particular, he has managed to transcend the famous is/ought, fact/value dichotomy that has plagued philosophy since the days of the scholastics, and that had brought modern libertarianism into a tiresome deadlock. Not only that: Hans Hoppe has managed to establish the case for anarcho-capitalist-Lockean rights in an unprecedentedly hard-core manner, one that makes my own natural law/natural rights position seem almost wimpy in comparison.<sup>17</sup>

(Is Rothbard admitting his natural rights theory is deficient? Or can an argument be (almost) "wimpy" and yet still convincingly justify a normative theory?)

Why Hoppe's ideas, which are such an important advance in political and libertarian thought, have failed to cause more excitement or gain more adherents than they have is baffling, but the best solution to this is the publication of further elaborations and defenses contained in Hoppe's newest book. The book is divided into two parts, "Economics" and "Philosophy." Because *Part Two: Philosophy*, contains Hoppe's most important ideas—his defense of individual rights—I will discuss this part first. The six chapters (Chapter 6 through 11) in Part Two plus the "Four Critical Replies" in the Appendix present Hoppe's argumentation ethic and its underlying epistemology—often repeatedly and redundantly, because the chapters were first published as independent papers and little editing, except in Chapter 6, has been done to integrate them or to delete redundancies.

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16. See *supra* note 13 (listing articles surrounding symposium).

17. Murray N. Rothbard, *Beyond Is and Ought*, LIBERTY, Nov. 1988, at 44.

### B. *Argumentation Ethic*

Hoppe's astounding "argumentation ethics" theory, briefly stated, starts by noting that all truths, including ethics and normative statements, must be discoverable through the process of argumentation. This "a priori of communication and argumentation" is undeniable, as one would have to contradict oneself in using argument to deny this.<sup>18</sup> Therefore, whatever facts or norms are postulated while engaging in argumentation cannot be contradicted by any proposed fact or norms.<sup>19</sup> "[I]n analyzing any actual norm proposal [reason's] task is merely confined to analyzing whether or not it is logically consistent with the very ethics which the proponent must presuppose as valid insofar as he is able to make his proposal at all."<sup>20</sup>

In argumentation, the validity of certain implications cannot be disputed. For example, the universalization principle, as formulated in the Golden Rule of ethics or in the Kantian Categorical Imperative, states

that only those norms can be justified that can be formulated as general principles which without exception are valid for everyone. Indeed, as it is implied in argumentation that everyone who can understand an argument must in principle be able to be convinced by it simply because of its argumentative force, the universalization principle of ethics can now be understood and explained in the wider a priori of communication and argumentation.<sup>21</sup>

In other words, anyone who argues accepts the validity of the universalization principle implicitly.

"[T]he universalization principle only provides one with a *purely formal* criterion for morality. . . . However, there are *other positive norms* implied in argumentation apart from" this principle.<sup>22</sup> First Hoppe points out three interrelated facts: "First, that argumentation is not only a cognitive but a practical affair. Second, that argumentation, as a form of action, implies the use of the scarce

18. Hoppe dedicates the volume to Murray N. Rothbard, stating that "words cannot express my personal gratitude." *ECONOMICS AND ETHICS* xi. Of course (I point out in jest), by *using* words to express his personal gratitude Hoppe contradicts himself by stating that words cannot express his gratitude.

19. *Id.* at 180-81.

20. *Id.* at 181.

21. *Id.* at 182.

22. *ECONOMICS AND ETHICS* 182 (emphasis added).



resource of one's body. And third, that argumentation is a conflict-free way of interacting."<sup>23</sup>

Therefore, anyone engaging in argumentation (or, indeed, any discourse at all, even with oneself) must accept the presupposed right of self-ownership of all listeners and even potential listeners: for otherwise the listener would not be able to consider freely and accept or reject the proposed argument, which is undeniably a goal of argumentation. "It is only as long as there is at least an implicit recognition of each individual's property right in his or her own body that argumentation can take place."<sup>24</sup> The libertarian nonaggression principle—"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"—is implied in the concept of argumentative justification, because justifying *means* justifying without having to rely on coercion.

The concomitant right to homestead private property is also presupposed by anyone engaging in argumentation: since the use of natural resources, i.e., property rights in land, food, water, etc., is absolutely necessary for any listener to survive and be able to participate in an argument, and since homesteading unowned property is the only objective and conflict-free way to assign property rights, all arguers must also presuppose the validity of the homesteading of unowned property, the Lockean "mixing of labor" with scarce resources, for otherwise argumentation could not occur.<sup>25</sup> And, of course, the right to self-ownership plus the right to homestead are the bases of laissez-faire capitalism.

### C. *Estoppel and Directions for Further Inquiry*

Professor Hoppe's discovery of such a rock-solid defense of individual rights is a profoundly important achievement. Because so many of Hoppe's insights deserve further exploration and development, one welcomes future writing by Hoppe and by others building upon his work.

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23. *Id.*

24. *Id.* at 183.

25. *Id.* at 184-86. Hoppe makes it clear that, although he agrees with Locke's theory of homesteading by mixing one's labor with resources, he believes the Lockean proviso—Locke's limitation that the right to homestead extends only when "enough and as good" is left for others—is false. *Id.* at 246.

For example, in my own article "*Estoppel: A New Justification for Individual Rights*,"<sup>26</sup> I draw on Hoppe's work—especially his application of the principle of universalizability to the activity of argumentation—in making another argumentation-based or discourse-based defense of individual rights. Hoppe's main argument is that any person who argues must accept certain principles that must be implicitly acknowledged by any person engaged in the activity of arguing; and that any arguer presupposes the rights of self-ownership and homesteading. In my estoppel theory I argue that the existence of rights can be demonstrated by looking at the consistency of the arguments made by a rights violator at the moment when he is about to be punished for the rights violation.

Since what is important about rights is that they are (legitimately) *enforceable*, if an alleged rights-violator is unable to meaningfully object to his punishment or, indeed, if he implicitly consents to his punishment, then this is enough to justify the existence of the rights claimed. And it is indeed true that if *A* initiates violence against *B*, *A* is estopped, or prevented, from complaining (i.e., objecting or withholding consent) if *B* retaliates or punishes *A*. For *A* has admitted the validity of aggression, and it would be inconsistent for him to object to his own punishment, which is, after all, "only" aggression.

By the same token, however, laws that attempt to enforce "positive" rights (such as the right to food or a job) or to prohibit nonaggressive behavior (such as expression, prostitution, the use of drugs, or the offer to pay someone less than minimum wage) are not legitimate. For here the state, in enforcing such laws against nonaggressors, is itself an aggressor.<sup>27</sup> If the imprisoned, nonag-

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26. N. Stephan Kinsella, *Estoppel: A New Justification for Individual Rights*, 17 REASON PAPERS 61 (1992). *Reason Papers*, a "journal of interdisciplinary normative studies" edited by Professor Tibor R. Machan, is published at the Department of Philosophy, Auburn University.

27. Professor Murray N. Rothbard has developed a useful classification or typology of aggressive intervention. If an aggressor's command or order involves only the commanded individual himself—i.e., the aggressor restricts the individual's use of his own property, when exchange with someone else is not involved—this Rothbard calls *autistic intervention*. If the aggressor compels an *exchange* between the individual and himself, or coerces a "gift" from the individual subject, this may be called a *binary intervention*, since a hegemonic relation is established between two people: the aggressor and the individual subject. If the aggressor compels or prohibits an exchange between a *pair* of subjects, this is called *triangular intervention*.

gressive "criminal" asserts his right to be freed and his concomitant right to use force against the aggressor-state to escape, the state cannot deny this asserted right nor the legitimacy of the prisoner's (proposed) use of force against the state, since the state, by being an aggressor, is estopped from denying the legitimacy of the use of force. Since the prisoner has a *right* to be freed, of course the state has no contrary "right" to imprison him. By this same logic, an aggressive criminal has a right to not be *disproportionately* punished. For example, someone who steals an ink pen may not be executed as punishment.<sup>28</sup>

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Examples of autistic intervention are murder or compulsory prohibition or enforcement of a salute or speech. Taxation, conscription, slavery, and compulsory jury service are examples of binary intervention. Examples of triangular intervention are price controls, minimum wage laws, and licensing. MURRAY N. ROTHBARD, 2 *MAN, ECONOMY, AND STATE: A TREATISE ON ECONOMIC PRINCIPLES* 766-68 (1962). In Chapter 3, "Banking, Nation States and International Politics: A Sociological Reconstruction of the Present Economic Order," Hoppe makes similar distinctions among aggressive actions in pointing out why states with relatively more liberal internal economic policies are more successful in war against states with relatively less internal liberalization:

The need for a productive economy that a warring state must have also explains why it is that *ceteris paribus* those states which have adjusted their internal redistributive policies so as to decrease the importance of economic regulations relative to that of taxation tend to outstrip their competitors in the arena of international politics. Regulations through which states either compel or prohibit certain exchanges between two or more private persons as well as taxation imply a non-productive and/or non-contractual income expropriation and thus both damage homesteaders, producers or contractors [i.e., those that cause wealth to come into existence]. However, while by no means less destructive of productive output than taxation, regulations have the peculiar characteristic of requiring the state's control over economic resources in order to become enforceable without simultaneously increasing the resources at its disposal. In practice, this is to say that they require the state's command over taxes, yet they produce no monetary income for the state (instead, they satisfy pure power lust, as when *A*, for no material gain of his own, prohibits *B* and *C* from engaging in mutually beneficial trade). On the other hand, taxation and a redistribution of tax revenue according to the principle "from Peter to Paul," increases the economic means at the government's disposal at least by its own "handling charge" for the act of redistribution. Since a policy of taxation, and taxation without regulation, yields a higher monetary return to the state (and with this more resources expendable on the war effort!) than a policy of regulation, and regulation with taxation, states must move in the direction of a comparatively deregulated economy and a comparatively pure tax-state in order to avoid international defeat. . . . A highly characteristic example of this connection between a policy of internal deregulation and increased external aggressiveness is provided by the Reagan administration.

ECONOMICS AND ETHICS 80-81 & n.23.

28. N. Stephan Kinsella, *Estoppel: A New Justification for Individual Rights*, 17 *REASON PAPERS* 61, 69 (1992) (discussing proportional punishment). An expanded discussion

It is hoped that others will also build upon or critique Hoppe's work. Murray Rothbard stated in the *Liberty* symposium that "[a] future research program for Hoppe and other libertarian philosophers would be (a) to see how far axiomatics can be extended into other spheres of ethics, or (b) to see if and how this axiomatic could be integrated into the standard natural law approach."<sup>29</sup> Also of interest would be a systematic cataloguing of just what is a priori axiomatic knowledge.<sup>30</sup>

Another tantalizing idea deserving further exploration is Hoppe's discussion of free will:

[O]ne must regard one's knowledge and actions as uncaused. One might hold this conception of "freedom" to be an illusion, and from the point of view of a "scientist" with cognitive powers substantially superior to any human intelligence, from the point of view of God, for example, such a description may well be correct—but we are not God, and even if freedom is illusory from His standpoint, for we [sic] human beings it is a necessary illusion.<sup>31</sup>

#### D. *Remaining Questions—Rights of Fetuses, Babies, and Defective Humans*

Hoppe establishes the foundation for individual rights, but takes it no further. One almost salivates at the prospect of Hoppe writing more on this, answering the questions of exactly how to apply the rights of self-ownership and homesteading to the hard cases, such as fetuses, babies, children, and retarded people (who, after all, cannot argue). Hoppe deals only suggestively or obliquely with this problem: the question of what is just or unjust "does not arise vis-à-vis a stone or fish, because they are incapable of engaging in such exchanges and of producing validity-claiming propositions."<sup>32</sup>

of the estoppel theory will be presented in my work-in-progress, *ESTOPPEL: A THEORY OF RIGHTS*.

29. Murray N. Rothbard, *Beyond Is and Ought*, *LIBERTY*, NOV. 1988, at 44, 45.

30. Although Hoppe demonstrates the a priori character of several concepts, he neither systematically nor exhaustively catalogues them. See *infra* Part IV for a discussion of Hoppe's a priori concepts.

31. *ECONOMICS AND ETHICS* 169. For an interesting discussion of neuropsychologist Roger W. Sperry's writing on the subject of free will, determinism, and causality, see Charles Ripley, *Sperry's Concept of Consciousness*, 27 *INQUIRY* 399 (1990); see also LEONARD PEIKOFF, *OBJECTIVISM: THE PHILOSOPHY OF AYN RAND* 69-72 (1991) (discussing Ayn Rand's theory of volition and its relation to causality).

32. *ECONOMICS AND ETHICS* 205.

What about fetuses, or even babies? Another related statement of Hoppe's fails to answer this question: "[O]bviously, 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."<sup>33</sup> Is a baby "in principle" capable of argumentation? Hoppe's view on this is unfortunately unrevealed.

#### E. *Hoppe, Rothbard, Rand, and Classical Natural Rights Theory*

Hoppe never commits himself as to whether he believes other defenders of natural rights—such as Rothbard,<sup>34</sup> whom Hoppe obviously admires greatly—are correct in their support of natural law and natural rights. He remains noncommittal, stating:

Agreeing with Rothbard on the possibility of a rational ethic and, more specifically, on the fact that only a libertarian ethic can indeed be morally justified, I want to propose here a different, non-natural-rights approach to establishing these two related claims. It has been a common quarrel with the natural rights position, even by sympathetic readers, that the concept of human nature is far "too diffuse and varied to provide a determinate set of contents of natural law."<sup>35</sup>

Does Hoppe agree that natural law is hogwash? Is he a "sympathetic reader"? One gets the impression that he agrees with this criticism of natural law. If so, however, it is unclear how Rothbard, aligning himself with the natural law or natural rights tradition of philosophy, in "*The Ethics of Liberty* presents the full case [that]

33. *Id.* at 197.

34. Murray N. Rothbard, one of the world's leading Austrian economists, is a professor of economics at the University of Las Vegas and Vice President for Academic Affairs at the Ludwig von Mises Institute. He was a student of the Austrian economist Mises, who was the author of the monumental *HUMAN ACTION: A TREATISE ON ECONOMICS* (Henry Regnery Co. 1966) (1949). Rothbard's important books include *MAN, ECONOMY, AND STATE* (1962); *FOR A NEW LIBERTY: THE LIBERTARIAN MANIFESTO* (reprint ed., 1985) (2d ed., 1978) (1973); *THE ETHICS OF LIBERTY* (1982); and *POWER AND MARKET: GOVERNMENT AND THE ECONOMY* (1977).

35. See *ECONOMICS AND ETHICS* 179 (citing Alan Gewirth, *Law, Action, and Morality*, in *GEORGETOWN SYMPOSIUM ON ETHICS: ESSAYS IN HONOR OF HENRY B. VEATCH* 73 (R. Porreco ed., 1984)).

the libertarian property norms” are the rules that “can be discerned by means of reason as grounded in the very nature of man.”<sup>36</sup>

Hoppe even attempts to define his own theory as being, really, a new type of natural rights theory:

Nor, then, do I claim that it is impossible to interpret my approach as falling in a “rightly conceived” natural rights tradition after all. . . . What is claimed, though, is that the following approach is clearly out of line with what the natural rights approach has actually come to be, and that it owes nothing to this tradition as it stands. . . . Of course, then, since the capability of argumentation is an essential part of human nature—one could not even say anything about the latter without the former—it could also be argued that norms which cannot be defended effectively in the course of argumentation are also incompatible with human nature.<sup>37</sup>

Yet, Hoppe states:

[T]his defense of private property is essentially also Rothbard’s. In spite of his formal allegiance to the natural rights tradition Rothbard, in what I consider his most crucial argument in defense of a private property ethic, not only chooses essentially the same starting point—argumentation—but also gives a justification by means of a priori reasoning almost identical to the one just developed. To prove the point I can do no better than simply quote: “Now, *any* person participating in any sort of discussion, including one on values, is, by virtue of so participating, alive and affirming life. For if he were *really* opposed to life he would have no business continuing to be alive. Hence, the *supposed* opponent of life is really affirming it in the very process of discussion, and hence the preservation and furtherance of one’s life takes on the stature of an incontestable axiom.”<sup>38</sup>

36. *Id.*

37. *Id.* at 180 n.15, 181 n.17.

38. *See id.* at 186 (citing MURRAY N. ROTHBARD, *THE ETHICS OF LIBERTY* 32 (1982)).

Ayn Rand’s thought related to this subject is worth noting:

[A]s Rand maintains, all “oughts” are hypothetical, based on valuing one’s life . . . .

The point is not that one has to be alive in order to act to achieve anything. The point is that being pro-life is what makes end states qualify as *values*. Only choosing to hold one’s life as a value gives one the stake in one’s actions that is required for the whole issue of evaluation to arise . . . .

Contrary to biological determinism, one does not *have* to pursue any goals or proclaim anything to be of value. But contrary to subjectivism, if one does, the action or proclamation logically depends on implicitly accepting one’s life as one’s ultimate value. . . .

### F. Hoppe's Value-Free (?) Ethics

In addition to Hoppe's seeming unwillingness to criticize wholeheartedly the natural rights tradition, he is also curiously reluctant to admit the ethical aspects of his argumentation ethic:

Here the praxeological proof of libertarianism has the advantage of offering a completely value-free justification of private property. It remains entirely in the realm of is-statements, and nowhere tries to derive an ought from an is. The structure of the argument is this: (a) justification is propositional justification—a priori true is-statement; (b) argumentation presupposes property in one's body and the homesteading principle—a priori true is-statement; and (c) then, no deviation from this ethic can be argumentatively justified—a priori true is-statement.<sup>39</sup>

Now I do not see how this is a "completely value-free justification of private property." Private property means *rights* in private property; and "rights" is indeed a normative, value-laden concept. Of course, in a trivial sense, any statement such as "A should do X" is an is-statement, because one is implicitly stating that "it is the case that A should do X." But this is still really an ought-statement, as is step (b) above, in making a statement about property rights. I do not see, however, why Hoppe is reluctant to admit this, as this is not a defect of his argument, but is in fact why it is so powerful—because it *does* justify the subset of ethics concerning rights.

### G. Hoppe's Conception of "Rights"

Unfortunately, Hoppe never clearly defines what he means by "rights," which leads to some slight confusion in the presentation

The issue of *justifying* choices arises only in the context of having already chosen to live. The choice to live is not extra-moral, but pre-moral; it is a precondition of all moral evaluation.

Harry Binswanger, *Life-Based Teleology and the Foundations of Ethics*, THE MONIST 84, 99-100 (1992). As Ayn Rand states:

Life or death is man's only fundamental alternative. To live is his basic act of choice. If he chooses to live, a rational ethics will tell him what principles of action are required to implement his choice. If he does not choose to live, nature will take its course.

*Id.* at 100 (citing AYN RAND, *Causality Versus Duty*, in PHILOSOPHY: WHO NEEDS IT 95, 99 (Signet 1984)).

39. ECONOMICS AND ETHICS 208.

of aspects of his argument.<sup>40</sup> Primarily, he uses the word in a normative, ethical sense. He occasionally, however, seems to mean “power,” which is value-neutral and non-normative: “[I]f no one had the right to acquire and control anything except his own body . . . then we would all cease to exist . . .”<sup>41</sup> It is true that we would all cease to exist if we had no power or ability to acquire and control things; however, a “right” is not logically necessary for this power to be exercised. For example, Crusoe alone on his desert island has no rights because rights are relevant only socially, as they concern relationships between individuals. Yet Crusoe, if he has the power to build a hut and gather fruit, can actually survive.

Certainly we have the ability to affect the world, otherwise we would not continue to exist—and this may explain *why*, according to Hoppe’s theory, we must have the *right* to exercise this ability. But the problem with switching to the power-sense of “rights” in a justification of normative-rights is that one may end up justifying the former and not the latter, or neither. And certainly it would be both useless and futile to try to prove that we all have the actual ability and power to control our bodies and to homestead; the very existence of the Internal Revenue Service disproves this contention immediately. Hoppe’s inconsistent use of “rights” is not fatal to his argument, but clarification of this step in his argument and a precise definition of “rights” would be welcome.<sup>42</sup>

#### H. *Habermas’s and Apel’s “Discourse Ethics” and Gewirth’s and Pilon’s “Principle of Generic Consistency”*

Much of Hoppe’s argumentation ethics draws on the “discourse ethics” theories of Jürgen Habermas and Karl-Otto Apel.<sup>43</sup>

40. This is in marked contrast to Hoppe’s normal habit of clearly defining key terms. For example, Hoppe has brilliantly demonstrated that socialism “must be conceptualized as an institutionalized interference with or aggression against private property and private property claims.” HANS-HERMANN HOPPE, *A THEORY OF SOCIALISM AND CAPITALISM: ECONOMICS, POLITICS, AND ETHICS* 2 (1989).

41. *ECONOMICS AND ETHICS* 185.

42. Hoppe’s response to a similar critique by Loren Lomasky is unsatisfactory. See Loren Lomasky, *The Argument from Mere Argument*, *LIBERTY*, Sept. 1989, at 55, 56 (reviewing Hoppe’s *A Theory of Socialism and Capitalism*).

43. *ECONOMICS AND ETHICS* 180 n.16. For citations to works by or about Jürgen Habermas, see *supra* note 15; see also KARL-OTTO APEL, *The A Priori of the Communication Community and the Foundations of Ethics*, in *TOWARDS A TRANSFORMATION OF PHILOSOPHY* (1980); Karl-Otto Apel, *The Problem of Philosophical Foundations Grounding in*



Hoppe's argumentation ethic also bears some similarities to Alan Gewirth's "dialectically necessary method."<sup>44</sup> Applying this method and the principle of universalizability, Gewirth derives the precept "[a]ct in accord with the generic rights of your recipients as well as of yourself," which he calls the "Principle of Generic Consistency" (PGC).<sup>45</sup> Gewirth holds that his theory shows that individuals have rights to "freedom and well-being," which in turn justify a welfare state.<sup>46</sup>

Hoppe criticizes Gewirth's "dialectically necessary method" because it is based on action in general as opposed to the specific communicative subcategory of action.<sup>47</sup> It is interesting to note that Gewirth's former student, Roger Pilon, believes Gewirth's PGC is correct, important, and pathbreaking, but that Gewirth himself has applied his own theories incorrectly in an attempt to justify the welfare state.<sup>48</sup> The libertarian Pilon believes he can reform his own teacher's work in order to justify a libertarian state.<sup>49</sup> Similarly, Hoppe believes his former teacher Habermas's discourse-ethics theories, while correct at core, are applied incorrectly by Habermas to yield a socialistic ethic; Hoppe feels that Habermas's theories, if correctly applied (as Hoppe himself does), yield the libertarian non-aggression norm.

Hoppe states:

Apel and Habermas are essentially silent on the all-decisive question of what ethical prescription actually follows from the recognition of the "a priori of argumentation." However, there are remarks indicating that they both seem to believe some sort of participatory social democracy to be implied in this a priori. [My [i.e., Hoppe's]

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*Light of a Transcendental Pragmatics of Language, in AFTER PHILOSOPHY: END OR TRANSFORMATION?* (Kenneth Baynes et al. eds., 1987).

44. *ECONOMICS AND ETHICS* 181 n.18. Gewirth's theory is presented in his book *REASON AND MORALITY* (1978). For a concise statement of Gewirth's theories, see his article *The Basis and Content of Human Rights*, 13 *GA. L. REV.* 1143 (1979).

45. Alan Gewirth, *The Basis and Content of Human Rights*, 13 *GA. L. REV.* 1143, 1155 (1979).

46. *Id.* at 1149, 1167-69.

47. *ECONOMICS AND ETHICS* 181 n.18.

48. Roger Pilon, *Ordering Rights Consistently: Or What We Do and Do Not Have Rights To*, 13 *GA. L. REV.* 1171, 1178, 1187 (1979).

49. *Id.* at 1186-87.

argumentation ethic] explains why hardly anything could be farther from the truth.<sup>50</sup>

Although Habermas and Apel agree that argumentation implies that certain intersubjectively meaningful norms exist,<sup>51</sup> they would not agree with the next step taken by Hoppe. Hoppe next recognizes that argumentation, as a form of action, requires exclusive control of the scarce resources in one's body; this implies that "[a]s long as there is any argumentation, there is a mutual recognition of each other's property right in his own body."<sup>52</sup> "[T]hat Habermas and Apel are unable to take this step is, I submit, 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."<sup>53</sup> Presumably, just as Hoppe criticizes Gewirth's welfare-state-justifying theory, not only because of its results but also because of its action-based method, he would also find fault in Pilon's neo-Gewirthian theory and methods, despite Pilon's libertarian (i.e., correct) conclusions.

#### IV. EPISTEMOLOGY

##### A. *The Application of Praxeology to Epistemology and Ethics*

Hoppe's epistemology is basically an extension of Ludwig von Mises's praxeology, which Mises had previously applied only to economics.<sup>54</sup> Mises inquired into the logical status of typical economic propositions such as the law of marginal utility. Mises showed that both empiricism and historicism are self-contradictory doctrines and justified the claims of rationalist philosophy by demonstrating the existence of a priori synthetic propositions.<sup>55</sup>

In the Kantian and Misesian framework, analytic truths like "all bachelors are unmarried" are true, but circular or tautological. Synthetic truths, like "all bachelors are unfulfilled" (if that were true), say something substantial about bachelors that is not already part of the definition of bachelors. We may know a synthetic truth through experience, or empirically (or, a posteriori). But these

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50. *ECONOMICS AND ETHICS* 198 n.2.

51. *Id.* at 197.

52. *Id.* at 198.

53. *Id.*

54. *ECONOMICS AND ETHICS* 152.

55. *Id.* at 146-49.

truths are not *necessarily* true, and might have been false if experience had been different. According to empiricism, synthetic truths can be known only through experience.<sup>56</sup> A synthetic a priori proposition is significant because it is necessarily true yet is not a tautology, thus yielding certain unchallengeable real knowledge about the world.<sup>57</sup>

Mises shows that the propositions of economics are indeed knowledge that is *not* derived from observation and yet is constrained by objective laws. In the science of praxeology, the general theory of human action, the "axiom of action" (i.e., the proposition that humans act, that they display intentional behavior), qualifies as a priori synthetic knowledge because (a) the "axiom is not derived from observation—there are only bodily movements to be observed but no such thing as actions—but stems instead from reflective understanding"; and (b) this understanding is of a self-evident proposition, "[f]or its truth cannot be denied, since the denial would itself have to be categorized as an action."<sup>58</sup> Mises shows that all of the "categories which we know to be the very heart of economics—values, ends, means, choice, preference, cost, profit and loss—are implied in the axiom of action."<sup>59</sup>

Hoppe's achievement is to explain how praxeology also provides the foundation for epistemology and ethics (the argumentation ethic has already been discussed above). To the a priori axiom of action, Hoppe adds a second a priori axiom, the "a priori of argumentation." This axiom

states that humans are capable of argumentation and hence know the meaning of truth and validity. As in the case of the action axiom, this knowledge is not derived from observation: there is only verbal behavior to be observed and prior reflective cognition is required in order to interpret such behavior as meaningful arguments. And the validity of the axiom, like that of the action axiom, is indisputable. It is impossible to deny that one can argue, as the very denial would itself be an argument.

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56. ROGER SCRUTON, *KANT 18-19* (1982). This book is part of the excellent Past Masters Series, published by Oxford University Press, general editor Keith Thomas.

57. DAVID GORDON, *THE PHILOSOPHICAL ORIGINS OF AUSTRIAN ECONOMICS* 30-31 (1993). This book is a monograph published by the Ludwig von Mises Institute.

58. *ECONOMICS AND ETHICS* 149.

59. *Id.* at 150.

Recognizing, as we have just done, that knowledge claims are raised and decided upon in the course of argumentation and that this is undeniably so, one can now reconstruct the task of epistemology more precisely as that of formulating those propositions which are argumentatively indisputable in that their truth is already implied in the very fact of making one's argument and so cannot be denied argumentatively; and to delineate the range of such a priori knowledge from the realm of propositions whose validity cannot be established in this way but require additional, contingent information for their validation, or that cannot be validated at all and so are mere metaphysical statements in the pejorative sense of the term metaphysical.<sup>60</sup>

### B. *Hoppe and Kant Versus Rand*

Hoppe offers a stunning justification and interpretation of Kant's controversial statement that "[s]o far it has been assumed that our knowledge had to conform to reality,' instead it should be assumed 'that observational reality should conform to our mind.'"<sup>61</sup>

According to rationalist philosophy, a priori true propositions had their foundation in the operation of principles of thinking which one could not possibly conceive of as operating otherwise; they were grounded in categories of an active mind. Now, as empiricists were only too eager to point out, the obvious critique of such a position is, that if this were indeed the case, it could not be explained why such mental categories should fit reality. Rather, one would be forced to accept the absurd idealistic assumption that reality would have to be conceived of as a creation of the mind, in order to claim that a priori knowledge could incorporate any information about the structure of reality.<sup>62</sup>

The empiricists' critique seemed to be justified by statements such as that of Kant above. However, ~~Kant further said that~~ [r]ecognizing knowledge as being structurally constrained by its role in the framework of action categories provides the solution to such a complaint. For as soon as this is realized, all idealistic suggestions of rationalist philosophy disappear, and an epistemology claiming that a

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60. *Id.* at 152-53.

61. ECONOMICS AND ETHICS 155 (quoting Immanuel Kant, *Kritik der Reinen Vernunft* [*Critique of Pure Reason*], in 3 *WERKE* 45 (W. Weischedel ed., 1968).

62. *Id.* at 154.

priori true propositions exist becomes a realistic epistemology instead. Understood as constrained by action categories, the seemingly unbridgeable gulf between the mental on the one hand and the real, outside physical world on the other is bridged. So constrained, a priori knowledge must be as much a mental thing as a reflection of the structure of reality, since it is only through actions that the mind comes into contact with reality, so to speak. Acting is a cognitively guided adjustment of a physical body in physical reality. And thus, there can be no doubt that a priori knowledge, conceived of as an insight into the structural constraints imposed on knowledge qua knowledge of actors, must indeed correspond to the nature of things. The realistic character of such knowledge would manifest itself not only in the fact that one could not *think* it to be otherwise, but in the fact that one could not *undo* its truth.<sup>63</sup>

In Hoppe's pamphlet *Praxeology and Economic Science*<sup>64</sup> (PES), which contains a discussion similar to the one in Chapter 6 of his book, he makes it clear that he does not think that Kant himself meant that reality is created by the mind.<sup>65</sup> Indeed, Kant had hinted at the solution presented in Hoppe's interpretation above. Hoppe writes, "He thought mathematics, for instance, had to be grounded in our knowledge of the meaning of repetition, of repetitive operations. And he also realized, if only somewhat vaguely, that the principle of causality is implied in our understanding of what it is and means to act."<sup>66</sup>

As for the Objectivist or Randian denunciation of Kant for this statement that observational reality should conform to the mind, Hoppe states:

Among some followers of Austrianism, the Kant interpretation of Ayn Rand (see, for instance, her *Introduction to Objectivist Epistemology* [1979]; or *For the New Intellectual* [1961]) enjoys great popularity. Her interpretation, replete with sweeping denunciatory pronouncements, however, is characterized by a complete absence of any interpretive documentation whatsoever. On Rand's arrogant ignorance regarding Kant, see B. Goldberg, *Ayn Rand's "For the New Intellectual,"* NEW INDIVIDUALIST REV., vol. 1, no. 3 (1961).<sup>67</sup>

63. *Id.* at 155.

64. HANS-HERMANN HOPPE, *PRAXEOLOGY AND ECONOMIC SCIENCE* (1988).

65. *Id.* at 17-18.

66. *Id.* at 18.

67. *Id.* at 45 n.14. Goldberg's article, however, is poorly reasoned and largely unconvincing. See DAVID KELLEY, *THE EVIDENCE OF THE SENSES: A REALIST THEORY OF*

### C. *A Priori Truths*

Hoppe then ferrets out various truths that are implied in the very fact of arguing. The laws of logic, such as junctors (“and,” “or,” “if-then,” “not”), quantors (“there is,” “all,” “some”), and the laws of identity and contradiction,

are a priori true propositions about reality and not mere verbal stipulations regarding the transformation rules of arbitrarily chosen signs, as empiricist-formalists would have it. They are as much laws of thinking as of reality, because they are laws that have their ultimate foundation in action and could not be undone by any actor. In each and every action, an actor identifies some specific situation and categorizes it in one way rather than another in order to be able to make a choice.<sup>68</sup>

Hoppe goes on to show that arithmetic is an a priori and yet empirical discipline, and “is rooted in our understanding of repetition—the repetition of action.”<sup>69</sup> He even demonstrates the irrelevance of Gödel’s Incompleteness theorem.<sup>70</sup> Euclidean geometry is a priori and yet incorporates empirical knowledge about space, “because it is not only the very precondition for any empirical spatial description, it is also the precondition for any active orientation in space.”<sup>71</sup> Einstein’s non-Euclidean theories even presuppose the validity of Euclidean geometry: “[A]fter all, the lenses of the

PERCEPTION 27-31 (1986) (discussing the primacy of existence); LEONARD PEIKOFF, OBJECTIVISM: THE PHILOSOPHY OF AYN RAND 148-52 (1991) (discussing Ayn Rand and philosophy of objectivity). The notorious phrase of Kant’s can be found in English in IMMANUEL KANT, CRITIQUE OF PURE REASON 21-22 (Norman K. Smith trans. 1953) (1929). As David Kelley, executive director of the Institute for Objectivist Studies, paraphrases Kant: “‘Hitherto it has been supposed,’ Kant says in his major work, ‘that all our knowledge must conform to the objects,’ but, he argues, . . . under that supposition, every effort to establish the validity of consciousness has failed. So, ‘the experiment therefore ought to be made, whether we should not succeed better with the problems of metaphysic by assuming that the objects must conform to our mode of cognition.’” Kelley perceptively criticizes Kant here with an analogy, that of Kant’s thought applied to the driving of a car: “‘Hitherto it has been supposed that our steering must conform to the road. But on this supposition it has proved impossible to establish the validity of our steering. The experiment therefore ought to be made, whether we should not have more success with the problem of driving by assuming that the road must conform to our steering.’” David Kelley, *The Primacy of Existence*, Side A, Tape 1 of 2, speech delivered in San Diego, 1985 (audio tape available from Laissez Faire Books).

68. ECONOMICS AND ETHICS 156 (1993).

69. *Id.* at 157.

70. *Id.* at 158.

71. *Id.* at 159-60.

telescopes which one uses to confirm Einstein's theory regarding the non-Euclidean structure of physical space must themselves be constructed according to Euclidean principles."<sup>72</sup>

Hoppe also demonstrates the a prioristic character of causality and teleology.<sup>73</sup> Significantly, Hoppe shows that "[e]verything which is not an action must necessarily be categorized causally"; and, "[i]n contrast, everything that is an action must be categorized teleologically."<sup>74</sup> Also, because the causality principle is a necessary presupposition even of the Heisenberg Uncertainty Principle in physics, there is a "fundamental misconception involved in interpreting the Heisenberg principle as invalidating the causality principle."<sup>75</sup>

## V. ECONOMICS

### A. *Public Goods Theory and the Production of Security*

*Part One: Economics* contains five interesting and insightful chapters. In Chapter 1, "Fallacies of the Public Goods Theory and the Production of Security," Hoppe shows that the distinction between "private" and "public" goods is completely illusory:

A clear-cut dichotomy between private and public goods does not exist. . . . All goods are more or less private or public and can—and constantly do—change with respect to their degree of privateness/publicness as people's values and evaluations change, and as changes occur in the composition of the population. In order to recognize that they never fall, once and for all, into either one or the other category, one must only recall what makes something a good. For something to be a good it must be recognized and treated as scarce

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72. ECONOMICS AND ETHICS 160 n.23; see PETR BECKMANN, *EINSTEIN PLUS TWO* 27 *et passim* (Golem Press 1987) (proposing theory which many believe demonstrates Einstein's work does *not* prove physical space is non-Euclidean). In the journal founded by Dr. Beckmann, who passed away in 1993, a recent article purports to have found evidence disproving part of Einstein's theory, thereby confirming Beckmann and Hoppe. Howard C. Hayden, *Stellar Aberration*, 4 GALILEAN ELECTRODYNAMICS 89, 92 (1993). In this article, Hayden, a professor of physics at the University of Connecticut, claims that evidence shows that the phenomenon of stellar aberration is *not* due to the relative velocity of a star with respect to Earth, as is claimed by Einstein's theory of relativity. *Id.* at 91-92. The evidence thus casts doubt on the validity of Einsteinian relativity. *Galilean Electrodynamics* is now edited by Howard C. Hayden.

73. ECONOMICS AND ETHICS 160-63.

74. *Id.* at 162.

75. *Id.* at 161 n.25.

by someone. Something is not a good as such, that is to say; goods are goods only in the eyes of the beholder. Nothing is a good unless at least one person subjectively evaluates it as such. But then, when goods are never goods-as-such—when no physico-chemical analysis can identify something as an economic good—there is clearly no fixed, objective criterion for classifying goods as either private or public. They can never be private or public goods as such. Their private or public character depends on how few or how many people consider them to be goods, with the degree to which they are private or public changing as these evaluations change and ranging from one to infinity.<sup>76</sup>

Hoppe then applies this analysis to the production of security, commonly held to be a public good. Because the production of security is no more a “public good” than goods and services such as cheese, houses, or insurance, there is no special economic reason that prevents markets from producing security, and thus no justification to require remedial state action, such as state monopolization of police and defense.

#### B. *The Economics and Sociology of Taxation*

In Chapter 2, “The Economics and Sociology of Taxation,” Hoppe argues that only three ways exist of acquiring or increasing wealth: through homesteading, producing, or contracting. Since taxation implies a reduction of income a person can expect to receive from these three activities, the opportunity cost for using one’s time and body to perform these activities is raised by taxation. Thus the marginal utility of producing wealth is decreased, and the marginal utility of consumption and leisure is increased, leading to a shift away from the production of wealth, and towards consumption and leisure. Therefore taxation is a means for the destruction of property and wealth-formation.<sup>77</sup>

To the objection that taxation makes people actually work *harder* in order to earn the same income as before taxation, Hoppe replies that even if increased taxation causes an

increase in workaholicism, it is still the case that the income of value-productive individuals has fallen. For even if they produce the same output as previously, they can only do so if they expend more labor

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76. *Id.* at 7.

77. *ECONOMICS AND ETHICS* 28.



now than before. And since any additional labor expenditure implies foregone leisure or consumption (leisure or consumption which they otherwise could have enjoyed along with the same output of valuable assets), their overall standard of living must be lower now.<sup>78</sup>

Hoppe also explains "why the assumption that taxation can possibly leave the productive output of valuable assets unaffected and exclusively cripple consumption is fatally flawed."<sup>79</sup> This is because time preference—people's preference of present goods over future goods—combines with the increased marginal utility of leisure and consumption and the decreased marginal utility of production. Because people have an increased preference for consumption (in the present), and a relatively decreased preference for production (in the future), the length of the structure of production is shortened, and thus fewer valuable future assets are produced. "Every act of taxation necessarily exerts a push away from more highly capitalized, and hence more productive production processes, and into the direction of a hand-to-mouth existence."<sup>80</sup>

After showing that taxes reduce the standard of living of consumers, Hoppe discusses the sociological reasons *for* taxation, and ever more of it. This discussion is fascinating and insightful, but it comes down to the fact that there is taxation because the government can get away with it; the government can get away with it because a majority of the population either actively or passively support such governmental policies; and the majority support government because of the lack of (complete, principled) acceptance of a private property ethic.

Government propaganda plays a role in influencing public opinion. Hoppe asks how the government could change public opinion from true ideas (i.e., the historical support in the United States for freedom and private property) to wrong ideas. He points out:

It would seem that such a change towards falsehood requires the systematic introduction of exogenous forces: A true ideology is capable of supporting itself merely by virtue of being true. A false one needs reinforcement by outside influences with a clear-cut, tangible impact

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78. *Id.* at 31-32.

79. *Id.* at 32.

80. *Id.* at 34.

on people in order to be capable of generating and supporting a climate of intellectual corruption.<sup>81</sup>

(Objectivists who would criticize Hoppe because many of his ideas were influenced by Kant should note Hoppe's radical lack of epistemological and moral skepticism evident in this statement.)

Thus the government effectively buys support from the populace through a system of transfer payments, grants of privilege, and governmental provision of certain goods, e.g., education, which makes the populace increasingly dependent on the continuation of state rule. By adopting democracy, the state "opens every government position to everyone and grants equal and universal rights of participation and competition in the making of state-policy."<sup>82</sup> Thus people gradually lose sight of the immorality of the exploitation and expropriation in which they participate, and are lured "into accepting the view that such acts are legitimate as long as one is guaranteed a say over them . . . ."<sup>83</sup>

[W]hen everyone is potentially a minister, no one is concerned to cut down an office to which he aspires one day himself, or to put sand in a machine which he means to use himself when his turn comes.

81. ECONOMICS AND ETHICS 52.

82. *Id.* at 54. This calls to mind the words of Lysander Spooner, writing in 1870. Note especially Spooner's point 2:

The ostensible supporters of the Constitution . . . are made up of three classes, viz.: 1. Knaves, a numerous and active class, who see in the government an instrument which they can use for their own aggrandizement or wealth. 2. Dupes—a large class, no doubt—each of whom, because he is allowed one voice out of millions in deciding what he may do with his own person and his own property, and because he is permitted to have the same voice in robbing, enslaving, and murdering others, that others have in robbing, enslaving, and murdering himself, is stupid enough to imagine that he is a "free man," a "sovereign"; that this is a "free government"; "a government of equal rights," "the best government on earth," and such like absurdities. 3. A class who have some appreciation of the evils of government, but either do not see how to get rid of them, or do not choose to so far sacrifice their private interests as to give themselves seriously and earnestly to the work of making a change.

LYSANDER SPOONER, *No Treason: The Constitution of No Authority*, in NO TREASON AND A LETTER TO THOMAS F. BAYARD 11, 18 (Ralph Myles Publisher Inc. 1973) (1870). The quotation is also reprinted in LYSANDER SPOONER, THE LYSANDER SPOONER READER 71 (Fox & Wilkes 1992) (1870). Spooner (1808-1887), an anarchist, was a Massachusetts lawyer noted for his vigorous opposition to the encroachment of the state upon the liberty of the individual, such as the institution of slavery. In *No Treason*, Spooner demolishes the "consent" theory of the validity of the Constitution. (Both of these books are available from Laissez Faire Books.)

83. ECONOMICS AND ETHICS 54.

Hence it is that there is in the political circles of a modern society a wide complicity in the extension of power.<sup>84</sup>

Hoppe concludes that everything depends on a change in public opinion. Although this may appear hopeless, "ideas have changed in the past and can change again in the future . . . and the idea of private property has certainly one attraction: it, and only it, is a true reflection of man's nature as a rational being."<sup>85</sup>

### C. *Banking, Nation States, and International Politics*

Chapter 3, "Banking, Nation States, and International Politics: A Sociological Reconstruction of the Present Economic Order," is the best and most important chapter in Part One. Here Hoppe explores how and why the state monopolizes money and banking and shows the danger of the ever-approaching international monetary order.<sup>86</sup> Similarly to the discussion in Chapter 2, this chapter argues that the state arises *despite* its inefficiencies and immorality and therefore depends upon public support, either active or passive. To create legitimacy in the minds of the public, the state engages in propaganda:

Much time and effort is spent persuading the public that things are not really as they appear: Exploitation is really freedom; taxes are really voluntary [here one is reminded of President Clinton's labeling of taxes as "contributions"]; . . . no one is ruled by anyone but we all rule ourselves; . . . etc.<sup>87</sup>

Additionally, to garner public support, the state also engages in redistribution: it takes individuals' wealth, which individuals tend to resist, but redistributes some of it to individuals in order to corrupt them into assuming state-supportive roles. Because the state rests upon coercion, it must of course monopolize the police, defense, and courts.<sup>88</sup> In order to be able to exploit regularly the population, the state must also control traffic and communications, so it monopolizes these also. The state monopolizes the field of education to eliminate ideological competition. The state also

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84. *Id.* at 55.

85. *Id.* at 60.

86. *See supra* note 27 (quoting Hoppe's explanation of why more liberal or free-market states are more successful in war or imperialism than more socialist states).

87. ECONOMICS AND ETHICS 68.

88. *Id.* at 69.

adopts a democratic system that opens up potential government jobs and votes to all, giving the people a legal stake in the state in order to reduce resistance to state power.<sup>89</sup>

But “[t]he monopolization of money and banking is the ultimate pillar on which the modern state rests.”<sup>90</sup> Thus the state monopolizes the minting of gold (to shift psychologically the emphasis from gold in universal terms like ounces to terms of fiat labels like “dollars”); passes legal tender laws; monopolizes the banking system; nationalizes gold; and finally cuts the last tie to gold by declaring paper notes irredeemable in gold.

But because there is still competition *among* states, which limits governments’ abilities to inflate their currencies, governments have an incentive to expand their territories and to expand the territory in which each government’s currency is in place. Historically, the tendency has been towards a one-world government, with a one-world paper currency, with the United States at the helm, and with no remaining limit on inflation of the money supply except hyperinflation and a collapse of the economy. This tendency is likely to continue unless public opinion,

the only constraint on government growth[,] undergoes a substantial change and the public begins to understand the lessons explained in this [chapter]: that economic rationality as well as justice and morality demand a worldwide gold standard and free, 100% reserve banking as well as free markets worldwide; and that world government, a world central bank and a world paper currency—contrary to the deceptive impression of representing universal values—actually means the universalization and intensification of exploitation, counterfeiting-fraud, and economic destruction.<sup>91</sup>

#### D. *Marxism Reformed by Praxeology*

Chapter 4, “Marxist and Austrian Class Analysis,” is an interesting chapter that reinterprets the Marxist theory of history from an Austrian economics perspective. Hoppe argues that the hard-core tenets of the Marxist theory of history are essentially correct, but are derived in Marxism from a false starting point; and that the

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89. *Id.* at 70.

90. *Id.*

91. *ECONOMICS AND ETHICS* 92.

Mises-Rothbard brand of Austrianism can give a different justification for the validity of these theses.

The five hard-core Marxist beliefs are: (1) The history of mankind is the history of class struggles; (2) the ruling class is unified by its common interest in upholding its exploitative position and maximizing its exploitatively appropriated surplus product; (3) class rule manifests itself primarily in specific arrangements regarding the relations of production (i.e., the assignment of property rights); (4) internally, the process of competition within the ruling class generates a tendency toward increasing concentration and centralization; and (5) finally, with the centralization and expansion of exploitative rule gradually approaching its ultimate limit of world domination, class rule will increasingly become incompatible with the further development and improvement of "productive forces."<sup>92</sup>

Hoppe points out that Marx's theory of exploitation is flawed because, in maintaining that there is exploitation when a capitalist retains a surplus profit after paying a laborer, his theory does not take into account nor "understand the phenomenon of time preferences as a universal category of human action."<sup>93</sup> Of course, once time preference is considered, it can be seen that "[c]ontrary to the case of slave and slave master where the latter benefits at the expense of the former, the relationship between the free laborer and the capitalist is a mutually beneficial one."<sup>94</sup> It is logically absurd to regard homesteading of unowned goods, or voluntary agreements between different homesteaders, as exploitative, because nothing is taken away from anybody by these activities, and goods are actually created. "Instead, exploitation takes place whenever any *deviation* from the homesteading principle occurs. . . . Exploitation is the expropriation of homesteaders, producers and savers by late-coming non-homesteaders, non-producers, non-savers and non-contractors . . . ."<sup>95</sup> Given this theory of exploitation, Hoppe analyzes the nature of government to justify the five Marxist theses above.

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92. *Id.* at 93-94.

93. *Id.* at 97.

94. *Id.*

95. ECONOMICS AND ETHICS 99-100.

### E. *Mises Versus Keynes*

The final chapter in Part One, "Theory of Employment, Money, Interest, and the Capitalist Process: The Misesian Case Against Keynes," contains an illuminating discussion of the Austrian theories of employment, money, and interest. After this discussion, Hoppe states that it is now "easy to recognize Keynes's 'new' *General Theory of Employment, Interest, and Money* as fundamentally flawed and the Keynesian revolution as one of this century's foremost intellectual scandals."<sup>96</sup> Hoppe then proceeds to demolish Keynes's theories against this backdrop.

## VI. CONCLUSION

Like *A Theory of Socialism and Capitalism* before it, *The Economics and Ethics of Private Property* contains cutting-edge economic theories and breakthroughs in epistemology and individual rights theories. Hoppe is indeed correct that, in the long run, immoral government policies depend upon the tacit support of the majority of the population. The only way to win more recognition and enforcement of our individual rights is to educate the populace of the truth and wisdom of freedom. The publication of works like Hoppe's, with an uncompromising, hard-core (and, more importantly, correct) defense of liberty, certainly advances this cause.

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96. *Id.* at 124.