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Austrian Economics as Political Philosophy

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I. Introduction

During the last few years, especially since the onset of the latest big world-wide recession (in 2008), there has been more discussion than usual about different ways to organize our economies. Indeed, proposals about bigger, or a more regulatory, government seem to be uttered more often than during the 80s and 90s, and questions about the ethical responsibilities of corporations have perhaps been more in vogue than ever.¹ Moreover, it is probably safe to say that economists have, as ever, taken part in the debates with vigor. Now some people are fond of resenting the participation of at least some economists, claiming that they are biased in certain directions. Some economists have themselves criticized their colleagues in connection to the crisis. Colander (2011: 2) claims the following:

The main body of academic economists pretended, and some of them actually believed, that they understood a complex system that they did not (and still do not) understand. Therefore they failed to express their ideas and arguments with the appropriate humility. The real story involves a systemic problem with almost all groups of economists, which led to their unwillingness to accept the commonsense reality that the economy is complex – far too complex to fully understand with the analytical tools that have been, and currently are, available.²

Then there is, of course, the lighter side of the debate: for example, some witty person has defined an economist as someone who holds a PhD in liberalism.³ There may be something to this aphorism if one considers some of the theoretical assumptions that are made in mainstream economics, but on

¹ Although now as I am finishing this work (in 2014), the debates appear to have cooled off considerably.

² Colander's (2011: 21f) suggestion for a remedy is that "we need to change the structure of the profession. We need more economists trained in the subtlety of policy issues and institutional realities. We need far fewer economists trained as producers of macroeconomic theory [...] and far more trained to consume it. Applied macroeconomists need to know how macroeconomic and financial institutions really work, and they need to know the history of economic ideas and the economy itself."

³ Economics is, of course, not the only discipline in social science that people connect with certain political positions. Sociology, for instance, is often perceived as more or less left-leaning (cf. Klein & Stern 2006; Udehn 1998).

the other hand one can sometimes get the feeling that criticizing economics is a bit like throwing out the baby with the bathwater. And after all, not all economists are neoliberals, or even “centrist” liberals, even though most of them basically adhere to the neoclassical paradigm of economics.

But when it comes to approaches outside the neoclassical orthodoxy perhaps it gets even easier to draw a straight line between economic theory and political beliefs. One can, for instance, easily observe that many Marxist economists also seem to be socialists (or “lefties”) of some kind. And — to move into the context of the present study — if you know anything about the so-called Austrian school of economics, it is probably that most of its adherents are what one might call classical liberals⁴ (even though some of them are located even further out on the liberal spectrum, being “anarcho-capitalists”). It would, however, be interesting to ask oneself whether it is really necessary to be a liberal once you have accepted the tenets of Austrian economics, just as it would be interesting to know if you have to be a socialist once you have subscribed to Marxist economics.⁵ Might it not be the case that the question of economic *policy* is much more complicated than economic *theory*? It seems to be the case that the straight line that in many cases is drawn from the latter to the former might not be as straight as it appears, and that there exists an intervening variable in the form of *values*, which makes the whole thing somewhat more complicated.

Now in the case of neoclassical economics one could probably make the case that there are some assumptions with a somewhat normative⁶ character built into the doctrine itself, which may lead some economists to claim that their policy recommendations are value-free (because they are not aware of the normative character of some assumptions). For example, economist Julie Nelson has described the neoclassical approach as being fettered by an image of the economy as a machine, which, according to her, stems from the fact that classical economics was first developed during the time of the industrial revolution, and that this, in turn, “affected not only the *content* of what was studied (the capitalist industrial system) but also the *form* by which it was understood”. In other words, economists started “seeing their work as the objective study of the ‘drives’ and ‘mechanisms’ that run the economic

⁴ When I speak of “liberalism”, it is usually meant to be understood in this “classical” sense, i.e., not in the way it is used in North American political discourse.

⁵ Indeed, “Austrian” anarcho-capitalist Hans-Hermann Hoppe has written that “[t]he descriptive part of Marxist analyses is generally valuable. In unearthing the close personal and financial links between state and business, they usually paint a much more realistic picture of the present economic order than do most starry-eyed ‘bourgeois economists.’” As it turns out, the major flaw (according to Hoppe) in Marxism is its (normative) conception of “exploitation”, the deployment of which makes the Marxists turn certain “truths” upside down (Hoppe 2006: 96n). On this, see also Tucker 2009.

⁶ In most instances I will be using terms like “normative”, “ethical”, and “moral” as synonyms.

‘machine’, rather than a study having anything to do with questions of a moral or spiritual nature”. The most famous image of the machine-like human is the *homo æconomicus*, the “economic man”, a device that assumes that firms, households, and individuals act to maximize their profits, which can be calculated in mathematical terms. In this way the concepts of economics could be turned into “direct counterparts to the concepts of physical science — profit, utility, and prices were compared to particles, raised and lowered by the impersonal forces of market interaction”. The problem with this, as Nelson sees it, is that “[c]omplex human motivations didn’t fit, so the discipline lopped them off. Relations of care — or of power, for that matter — didn’t fit, so they went too. [...] Only thin concepts of self-interest, profit, utility, and maximization survived” (Nelson 2006: 10, 12f, 20, 48). One can also cite a philosopher who argues that “neoclassical theory is, perhaps, best viewed as an applied ethics program”; this because of the economic-man assumption and a view of “rational” behavior that does not always seem to correspond to actual behavior by real humans. In this way, “the definition of rationality chosen by the orthodox neoclassical theorist must be understood as arbitrarily prescriptive” (Keita 1997: 96, 92). There is also the question of the place of economic “growth” (especially seen as an increase in *material* wealth) in neoclassical models. According to Hodgson (2001: 56) “neoclassical economists have presupposed the validity of this ideal [of the ‘growth-ethic’] in constructing their theories of the behaviour of rational consumers and entrepreneurs; indeed, the norm of acquisitive aggrandizement or ‘possessive individualism’ has in part defined the meaning of rational economic behaviour in neo-classical theory”.

However the present study is, as mentioned above, not a study on neoclassical economics, but on Austrian Economics – an approach that, in the words of a contemporary proponent, “disagree[s] strongly with other schools of economic thought, such as the Keynesians, the Monetarists, the Public Choicers, Historicists, Institutionalists, and Marxists” (Hoppe 2007b: 7). As mentioned above, many Austrians are located on the most liberal wing of the ideological spectrum, and this may lead one to suppose that their approach suffers from some of the same built-in biases. Actually, it sometimes appears that the attitude from “the left” is just like that: Austrian economics is viewed as nothing but a handmaiden to political liberalism, *ergo* not worth taking seriously. But the case is, I think, that when it comes to some of the presumed built-in “flaws” of neoclassical economics, Austrian economics actually seems less vulnerable. It seems that one can really argue that Austrian economics actually appears to be more value-free than neoclassical economics (given the validity of the criticism against the latter), and that the fact that many Austrians are liberals is due not to the inherent assumptions of the economic theory, but due to the *separate* normative assumptions that is add-

ed when the process of economic theorizing is, so to speak, finished.⁷ And indeed, since Austrian economics appears to be more value-free than neoclassical economics it seems like it would be *necessary* to add some normative principles in order to retrieve some recommendations about what *should* be done in terms of policy. So, my suggestion is that *if we want to criticize the policy-recommendations of Austrian economists, our attention should be turned as much (and probably even more) to ethics as to economics*. And would it not be interesting to see what kind of policies we would recommend if we combined Austrian economic theory with *another* set of ethical assumptions than those usually taken up by the *laissez-faire* minded Austrians?⁸

But why study the political theories of Austrian economists? The answer to that question is built on my own assessments (and those of some other on-lookers) of the undercurrents of the debates on economic policy during the last decades. There is no doubt that the neoclassical paradigm by far overshadows other approaches, but there seems to have been a growing interest in Austrian economics during the last three of four decades. Oftentimes, the starting point of the revival is set in 1974, when a seminal conference was held on Austrian economics in Vermont (the speakers included prominent Austrians⁹, such as Murray Rothbard, Israel Kirzner and Ludwig Lachmann), and when the “Nobel prize” in economics was rewarded to Friedrich Hayek. If one would have looked back one year, to October of 1973, when another of the giants of Austrian economics — Ludwig von Mises — died, there would, in the words of Karen Vaughn, “have been little doubt among economists that the Austrian school was a closed chapter in the history of economics”. Writing in the year 2000, however, Vaughn’s perception was that “Austrian economics, or rather various strands of Austrian ideas, are flourishing as never before”, and “articles devoted to research from an overtly Austrian perspective now routinely find their way into respectable, if not elite, academic journals” (Vaughn 2000: 40).

The biggest momentum for the Austrians seems to have come in the 1990s, one big contributing factor being the collapse of the Soviet Union, which sparked interest in a theory that asserts the inherent instability (or even logical impossibility) of planned economies. But even before this, one can note

⁷ For example, although some Austrians, most prominently Ludwig von Mises, may appear to adhere to something like the above-mentioned “possessive individualism”, it will subsequently become evident that this “growth-ethic” is not built into the basic economic theory in any significant way (but in the case of Mises it gets significant when he adds his “utilitarian” political philosophy to the mix).

⁸ In the present study I will, however, mostly point to the *potential* of novel combinations. Actual examples of concrete alternative combinations will be quite sketchy and tentative.

⁹ Of course, most of the (modern) members of the Austrian school are not from the country of Austria. With some possible (and apparent) exceptions the adjective Austrian always refers to economics, and not to nationality.

the interest that Margaret Thatcher showed in the economics and political philosophy of Hayek. As a newly elected Conservative leader she is reported to have waved Hayek's *The Constitution of Liberty* at a meeting, claiming that "[t]his is what we believe in!" (Hakelius 1999: 9). Another politician that have espoused Austrian economics is American congressman and a primary presidential candidate (once for the Libertarian party and twice for the Republicans) Ron Paul, who seems to have gotten more attention in the media than the numbers of his votes would have warranted.¹⁰ One could also mention what I perceive to be a vigorous interest in Austrian economics on the Internet (on blogs, for instance) – and the seemingly well-funded Ludwig von Mises Institute has a well-equipped site, offering many books for free download.

Exactly what *real* influence Austrian economics has had on politics is not easy to assess, however. Historian Tony Judt has nevertheless listed Hayek and Mises among the most influential economic thinkers of the 20th century, which, according to him, has influenced our political choices to a large degree (Judt 2009). In terms of day-to-day policy debates, Austrians are probably most known for their ardent criticism of activist central banks, corporate bail-outs, inflationary policies, etc. One important part of Austrian economic thought is its business cycle theory, essentially claiming that states should do as little as possible to attempt to steer the economy, because that would only deepen and prolong the slumps (many of these policy issues will not, however figure very much in the present study, because I will concentrate on more fundamental principles, rather than on what I regard as applications of these principles). Casey (2013: 122) has described the Austrian analysis of modern recessions and crises in the following words:

The root causes of our present problems are the Harry Potteresque activities of our government-sponsored central banks [...] in conjuring money from nowhere, allied to the heroic efforts of our commercial and investment banks to multiply the magic money and supply it to eager borrowers who, misled by false economic signals, in particular by interest rates not grounded in market realities, malinvested significantly. Eventually, malinvestments are seen for what they really are and the consequence is a rapid retraction of financial support for marginal projects, resulting in crashes and depressions.

And contrary to largely prevailing ideas, the Austrians tend to favor “masterly inactivity” as the proper solution to the problems. Stimulus packages and

¹⁰ Incidentally, Paul has written a pamphlet called *Mises and Austrian Economics* (2004), the existence of which demonstrates the need for political theorists and the like to tackle these questions more seriously (lest Paul's view will turn out to become the “popular” version of what an Austrian approach should entail for politics).

the like will be like helping an “alcoholic by encouraging him to have another drink” (ibid.).

But apart from these historical remarks it is undoubtedly rather interesting to observe that there has been something of a shift towards normative theory in some Austrian quarters, which underscores the point I was making earlier, i.e. that the bulk of the justification for the politics they are proposing must be located in the ethical realm. Perhaps it was the case earlier that many Austrians believed that all they had to do was to demonstrate how the economy functions to get adherents to their views, whereas later developments have made them turn to ethics to a larger degree. One might quote a passage from a speech by Hans-Hermann Hoppe in 1996:

[A]s important as economic arguments are in bringing about a change in public opinion, moral arguments are even more important. *Moral* outrage and *moral* shame are far more powerful motivators than intellectual outrage and intellectual fault. And the recognition that something or someone is *evil* has far greater behavioral implications than the recognition that something or someone is merely plain stupid.¹¹

So if we want to understand the political theories of the Austrians it seems to be of utmost importance to analyze what they mean when they call something “evil”. Simply refuting (or, indeed, subscribing to) the basic economic theory will not get us very far without an understanding of the normative claims that are necessary building blocks in the “constellation” that binds together economics, ethics and political theory (I am borrowing the concept of constellation from Heidegren 2002, and I take it to mean a bundle of two or more theories between which there exist more or less elaborated connections). If it is the case, as Paul Krugman (1998) has claimed, that “[s]ome libertarians extol the Austrian theory, not because they have really thought that theory through, but because they feel the need for some prestigious alternative to the perceived statist implications of Keynesianism”, then let us try to find out what parts of this “libertarianism” are derived from economics and what parts are derived from ethics.

Aims of the Study

As mentioned above, I found the concept of a “constellation” a good starting point for a study like the present. I encountered this concept in Heidegren’s book *Antropologi, samhällsteori och politik* (“Anthropology, Social Theory, and Politics”). His point of departure is the claim that whether, for instance,

¹¹ Cf. Hoppe 2006: 394; Hoppe 1990: 4f.

one sees human beings as wolves or lambs, it tends to have consequences for one's view of society and politics. Thus, he believes one can argue that each social theory and political view presupposes, or rests on, a certain view of man, and that one's view of man provides frameworks and limits for connected theories about society and politics. Now, as Heidegren also points out, there are usually no *necessary* connections between different theories (Heidegren 2002: 9f). While he uses a more historical approach (he uses the concept of "motivational history") to reveal the connections, I will use other methods (which are described later on). And – as should already be apparent – I look for connections between economics, ethics and politics (or political theory).¹² In other words, does it, for instance, matter for politics or ethics if one works within an economic paradigm that assumes that people behave in a certain way, or that economics can only take account of certain quantifiable variables?

These considerations were the guiding light when I started to write this study. The aim of the dissertation is to analyze the different parts of the political/ideological constellations that are being propounded by a few of the most well-known members of the Austrian school. The first task will be to explore and test the hypothesis that Austrian economic theory is indeed rather value-free and that it is far from clear what political conclusions should be drawn from the economics alone (if Austrian economics is *more* value-free than other doctrines – mostly neoclassical economics – is a question that will only be approached tangentially). If I am right in this, the need for a second type of analysis becomes even more apparent, namely the analysis of the normative claims that seem to be necessary to add in order to stitch together a political philosophy. In that case we both have to find out exactly what these claims are, and if there might be any argumentative problems when it comes to defending them. Once these two tasks (about economics and ethics) have been achieved I believe we will be in a better position to make an assessment of the political views of the Austrians, because we will be able to distinguish the parts that make up these views clearer than before. When this has been done a further question can be addressed, – a question that occupies a very minor place in this study, however – namely about the feasibility and rhetorical possibilities of Austrian political philosophy in the real world of politics. And if we can conclude that the chances of success for

¹² When it comes to the definitions of ethics, economics and political theory (sometimes I will simply write "politics"), I assume what can probably be described as generally acceptable views about what is what. Ethics consists of more or less worked out theories of what actions should be allowed, what constitutes the "good", and the like; economics consists of theories about behavior in situations of scarcity (in individual cases as well as on a highly aggregated level); political theory I take to mean, in this context, on the one hand, theories about political (and, to some extent, social) behavior and the functioning of institutions of power, and, on the other, a comprehensive view of how a society and its political structure *should* be ordered (in light of everything one has previously assumed or concluded).

the Austrians are rather slim (which I believe we can) then we will, after having answered my previous questions, be able to pinpoint what they are doing right and what they are doing wrong in trying to convince people to go for certain policies.

The writers whose theories I will be examining are Ludwig von Mises (1881-1973), Friedrich August Hayek (1899-1992), Murray Rothbard (1926-1995), and Hans-Hermann Hoppe (1949-). Perhaps it would be in its place to thoroughly discuss problems of definition and delimitation: who is an “Austrian” and who is not? It is, for instance, the case that many of the earlier Austrians perceived themselves as basically working within a mainstream paradigm of economics. On the other hand, modern mainstream economists sometimes claim that they have picked up what is valuable in Austrian economics and incorporated it into their view. Nevertheless, I decided to avoid the finer points and go with a “handbook”-definition (Goldmann 2003: 32-34), picking out people that most (perhaps all) scholars would place in the Austrian category.¹³ I think the first three of the names I have chosen are fairly obvious if one wants to say something interesting about the Austrian school as a whole, since they are often seen as the most important members of the movement (during the 20th century). Hoppe – no doubt the least famous one in the this quartet – might be seen as an example of the more contemporary attempts to put more weight on the ethical dimensions, a trend that basically was started by Rothbard (see chapter II for a brief exposition of the founding and development of the Austrian School). Anyway, no handbook of economics would fail to place Hoppe within the Austrian school (although formally being an economist as well as a philosopher, he is rarely mentioned in mainstream economics literature). Furthermore, these authors are especially interesting in that they have all written extensively about philosophy, economics, politics, and ethics. Many Austrians restrict themselves to economics (and usually to specialized questions within economics, rather than general economic theory or its methodological and philosophical foundations), which would make it hard to fit them into a study like the present; and there are, of course, many libertarians who do not fit into the study because they have not expressed or elaborated their affinity with Austrian economics.

While the choice of theorists seem quite obvious from an Austrian perspective, one should, however, keep in mind that a part of the dissertation is devoted to a larger question, namely the one about values in economics in general. In that sense, the study may be seen as a case study of a larger phenomenon. It may be the case that the case selection process would have been different if only that question was the subject of the dissertation (while the ethical analyses were excluded). It would certainly had been a different case

¹³ This excludes, for instance, Joseph Schumpeter, who is sometimes placed within the Austrian tradition (or on the outskirts of it), but usually he is not.

selection process if I had done a systematic comparison between, for instance, neoclassical economists, Marxist economists, and Austrian economists. But since I wanted to analyze both the normativity-of-economics question *and* the “substantial” ethical and politico-philosophical dimension, the case selection process had by necessity to be narrowed considerably. If we, then, regard – especially part 1 – as a case study (namely, a study of *one* economic doctrine among many), the main question seems to be whether that case (Austrian economics) contributes to the understanding of the normativity of economic models in general. After all, if a case study is to provide “insight into a broader phenomenon, it must be representative of a broader set of cases” (Gerring 2007: 91). A problem would, thus, arise if Austrian economics would be so different from other types of economics that my reflections on the subject would not provide any real insight into the broader phenomenon. The choice to study Austrian economics to explore connections between normativity and economic theory does not, however, seem to be misplaced, in light of the fact that Austrian economics – in spite of its position as unorthodoxy – has at least a “family resemblance” with other types of economics. Furthermore, the study of Austrian *economics* does not entail that the analysis is not important for social science in general, because, at bottom, there are many philosophical questions regarding methodological choices that are similar across many disciplines. But had the study been extended to normativity in social science in general, it would have assumed a different character altogether. In the end, my hope is that the selection of Mises, Hayek, Rothbard and Hoppe should be an adequate group of thinkers to say something interesting about both some narrow and some broad questions – and that is why they were chosen in the first place.

As the argumentative style and interests of the studied authors are somewhat different, I will lay different stress on each of the initial questions as the situation warrants, and since the four of them have some different views (the differences are biggest when it comes to ethics) there will not always be easy to draw general conclusions about the Austrian School as a whole (seeing it as a sort of ideal type). One thing that I hope to be able to show, however, is that one could make the case (*contra*, for example, Gloria-Palermo & Palermo 2005 and Ioannides 1992) that very little (if anything) in terms of normative claims can be read into the basic economic theory of the Austrians. This makes it possible to draw the (somewhat controversial) conclusion that even rather extensive “welfare”-politics could be supported, even if one were to subscribe to the basic theory about economical behavior of such a staunch defender of *laissez-faire* as Mises.

When it comes to the ethical dimension of the constellations, however, conclusions must be drawn about the separate theorists. The problems that need to be addressed are for instance how Mises defends his version of preference-utilitarianism against other kinds of consequentialism and how Rothbard defends his version of the natural rights-paradigm and his objectivism

in metaethics. Concerning Hayek, it is a problem just finding out exactly what his normative views are. For instance, Diamond (1980: 353) makes the case that Hayek “endorses four ethical positions that cannot all be reconciled: relativism, Institutional Social Darwinism, utilitarianism, and contractarianism”. Hoppe’s views are probably unknown to most readers of political theory, so the section on his ethics will hopefully provide both an interesting exposition and valid criticisms.

Regarding the third task, I believe that one could claim that the different political constellations of the Austrians are basically connected by their inability to act effectively in a political environment whose inhabitants in general have a positive view on interventionism, at least on the form it takes in most of the “Western” states of today. If they want to be able to convince those people, there are a host of cases they must make, both about facts and about values, which seems to contradict many of the views of laymen, philosophers, and social scientists. Furthermore, there is a weakness in the fact that a lot of the core concepts used in the political writings of the Austrians were developed in an era where the rhetoric was much more polarized than it is today. As we shall see, these problems mostly arise in connection to the conceptual polarity between capitalism and socialism; but it is also interesting in connection to the Austrians’ view of democracy.

I would also like to add that this study should be interesting even for those who are not specifically interested in the Austrian economists – and I suspect many readers of this dissertation fall into that category. Firstly, the Austrian challenge to both mainstream economics and mainstream politics may very well be seen in the larger context where all sorts of challenges to mainstream politics compete for our attention. Perhaps the relevance of the present study is increased if we, so to speak, see what the particular Austrian challenge is a case of. Keeping this in mind, some parts of my analysis may be of interest for those who study other challengers of the economical and political orthodoxy. Secondly, there are many libertarian (and perhaps some not so libertarian) philosophers who use similar arguments as those analyzed here, and since I have addressed some issues in a somewhat unusual way (in my use of metaethics, for instance) there may be some points that will be of value when reading other texts. And for those who are interested in the broader movement of neo-liberalism the relevance of the study should appear obvious, since many believe that Austrian economics “stands at the forefront of neo-liberal theorising on markets” (Turner 2008: 121). My hope is, thus, that this study will be both relevant and interesting to people who are not particularly (or exclusively) fascinated by the Austrians (indeed, I believe the study should be of interest to those who are not interested in economics at all, but are engaged with other types of theories and methods in social science).

Some Words on Method

The question of choice of methodology in political philosophy can be a problematic one for someone beginning serious research in that field. It is probably a question that many scholars struggle with from their undergraduate days until the end of their career. I suppose the main problem for me is that I have found many of the approaches that have gained ascendancy during the last decades somewhat inadequate, and I have not been able to find any “authority” that makes an eloquent case for my own approach, although snippets of valuable comments can be found here and there.¹⁴ But I take some comfort in the fact that I am not the only one who has struggled with this, and the problem remains that “the perpetual disagreements among political theorists and the repeated reconsiderations of the same issues and texts are indications that political theorists lack meaningful standards for assessing what constitutes good research” (Grant 2002: 577).

Basically, it should be possible to regard political theory as an activity that stresses a rather pragmatic question: What shall we (the political collective) do? This question can be divided into a normative one, what *ought* we (morally) to do? and an empirical one, what *can* we do? This view seems to entail that investigations in normative political theory should mainly be aimed at answering these questions. And, as I said, these are pragmatic questions, aimed at the future, which is one reason for being somewhat skeptical regarding methods that mainly aim to “show how the mainstream system of judgments today was gradually put in place, often over centuries” (Tully 2002: 548). To show how the arguments about “liberty” developed during the last five hundred, or so, years might be of limited value for what kind of “liberty” we should strive for tomorrow, since we are always free to define and conceptualize “liberty” in any way we want. The vital question is: what are the *reasons for* and *consequences of* defining and conceptualizing “liberty” in some particular way in our present political context?

Strang (2010: 31) describes this dilemma as being a choice between historical and philosophical histories of philosophy:

The historian might accuse the philosopher of anachronism; that the historical text is interpreted as a contribution to a discussion of which the author had no intention of contributing to, or one that he or she could not have been familiar with. The philosopher on the other hand, might claim that the historical approach is merely antiquarian as it aims at conserving historical intellectual landscapes for their own sake, instead of making the ideas instrumental for current purposes.

¹⁴ See for instance Swift & White 2008 or Rothstein 2002: 7-25.

In the same manner Richard Ashcraft describes a struggle between “traditionalists”, who think that “[t]he essential – perhaps even the whole – truth of political life is [...] embedded in the classics”, and “behavioralists”, who “dismiss the study of the history of political philosophy because they have severed that activity from the concerns of the political present”. The traditionalist camp can in turn be subdivided into those who study the classics to find “eternal truths”, and those who want to “immerse” themselves “within the tradition in such a way as to preserve the (historical) particularity of the phenomena” (Ashcraft 1975: 7, 8).

The spirit in which the present study is conducted is more similar to the “philosophical” camp (and in Ashcraft’s terminology closer to the behavioralists than the traditionalists, but still not too far from the middle of the spectrum), and it is true that I remain committed to some of the tenets of “analytical” philosophy, broadly defined.¹⁵ But even philosophical analysis can go too far; and there are things that analytical philosophy simply cannot achieve, for example saying what moral intuitions are “reasonable” or “justifiable”. Although I agree with A. J. Ayer that moral statements can be described as “nonsensical”, one still has to add that “Ayer’s harsh words ‘senseless’ and ‘nonsensical’ should not be taken in their ordinary English meaning. Ayer does not say that ethical and metaphysical statements are gibberish, but that they cannot be regarded as true or false, which is a vastly different thing” (Thorson 1961: 714).

The main thing that I retrieve from the analytical tradition might be described as the quest for clarity. I believe it is of more importance to clarify than to resolve the arguments of the political thinkers one is examining, an activity that Herbert Tingsten called laying bare “errors of thought” (*tankefel*). Furthermore, his contention was that when it comes to values the question of truth or falsity is not a fruitful topic of discussion, because there is simply no way of saying what values are true or false. That is why his main focus is on statements of fact – and his view is that statements about reality plays the lead role in most ideologies, although he admits that there is always some element of value present (Tingsten 1941: 9-59).

Now the scrutiny of claims about fact that are propounded by political thinkers may be a rather straightforward endeavor, and it may well clear up a lot of mistakes and misunderstandings. But this method, I think, can be used to different degrees depending on the doctrine that we are examining at the moment. Some writers depend a lot on facts, and some depend a lot on values. In the latter cases I believe we, as political theorists, should have something to say, even though the question of truth is not possible to resolve. As

¹⁵ Perhaps “post-analytic philosophy” would be a way of describing my sympathies: “Analytic philosophy in the wider sense, including much of what is sometimes called post-analytic philosophy, is wider in scope and more tolerant than its narrower cousin, just as that in turn was wider and more tolerant than logical positivism” (Lacey 2001: 4).

for myself, I believe that the main duty of a normative political thinker is to provide *reasons* for the values that he or she puts forward. In the end, of course, each individual has to decide what counts as a good reason, but the main point is that reasons have to be provided in the first place in order for this subjective valuation to take place.

So the analysis of the normative elements of the political theories should be to find out, and, if necessary, interpret and clarify what the reasons are for accepting the values that seem more or less necessary to accept in order to swallow the whole political agenda. Of course, as political actors, we all need a subjective theory about what constitutes good or bad arguments in ethical reasoning, and although I may have such a theory which appears reasonable to myself (and thus, no doubt, would appear reasonable to many other people!), I do not think it is appropriate to base my critique in this dissertation on that theory. That is why I confine myself to the task of trying to make clear exactly what the arguments are and scrutinizing them in a “formal” way, which means that I will not “condemn” any *foundational* values (or put forward my own values in their stead), but simply point out when such foundations are lacking. Thus, the focus will be on “inadequate” (or too ambiguous) justification rather on “incorrect” justification. This seems to be a more “inclusive” way of doing philosophy, since most scholars who analyze arguments can agree that the absence of justification is a problem, while they may disagree about what *kind* of justification is the best one.

But that does not mean that I am mainly interested in the internal validity of arguments. An argument is internally justified if its conclusions follow logically from its premises. It is, however, rarely the case that the arguments of political philosophers are so clear that we can make a judgment about internal validity straight away; hence the need to devote a lot of time to analyzing the clarity of the premises themselves. Usually we will have to conclude that the premises are not clear enough to “act” as parts in an argument – and I think that a great deal of the analyses in this study are of this sort: they scrutinize the premises rather than the whole argument. This means that I am, to some degree, looking for external validity as well. An argument is externally justified when it is internally justified, *and* its premises are true.¹⁶ How much I will look for actual *truth* of the premises will vary, however. Sometimes a lot of the argument hinges on empirical assertions, and in that case it is a matter of truth and falsity. At other times it is *claimed* that a premise espouses some truth, while a closer inspection will show that the premise itself is either not clearly formulated enough to enable us to make a conclusion about its truth or falsity, or not really of the kind that can be said to be true or false. This means that not only is all this a question of finding

¹⁶ Here I am (in line with, e.g., Stelmach & Brozek 2006: 19) using the terms “external” and “internal” in a narrower sense than some other authors on argument analysis have done (e.g. Tralau 2012, to some extent also Beckman 2005).

reasons for ethical statements, but also of *metaethical* statements. It will become evident that the different writers that I am analyzing have different views about the status of normative claims, that is whether they can be objectively true or not, and how this truth can be obtained. So, not only should they provide reasons for their substantial (first-order) claims, but also for their metaethical (second-order) claims.

Another important task, which is also important for Tingsten, is to analyze the use of concepts. Evidence that seem to support certain claims might in reality turn into “fake evidence” (*skenbevis*) if it turns out that concepts are being used in confusing ways. Tingsten takes the example of some “English utilitarian literature”, in which it is claimed that “each human being [...] acts in his own interest — whereby interest is taken to mean any kind of motive — whereupon it is claimed, that every human being thus mainly strives for material gains (interests in a narrower sense)” (Tingsten 1941: 32). Of course, every theorist is basically free to define and label concepts however he or she wants,¹⁷ but if they do not stick to the definitions grave problems may arise, at least when a particular concept is carrying a heavy load in the argument. Examples of this that will be interesting to ponder later are concepts such as “capitalism”, “socialism”, and “interventionism”. If the main point of our political philosophy is that we should reject socialism or interventionism and accept capitalism, we should make sure that everyone understands what we mean by these concepts (and that the meaning does not shift too much throughout the argument).

Thus, the methodological approach described above is supposed to guide us in answering the questions that are likely to be raised in the contemporary discourse about what should be done when it comes to some important questions of political economy. If it fails in this task, then clearly I have opted for the wrong method.

I have now described the general approach to normative political theory adopted in this work. In the remainder of this section I will elaborate more concretely how the analysis has taken shape.

What the reader will notice is that there are a few dimensions that recur throughout the work and to some degree serve to structure the investigation. These dimensions are usually represented by a few concepts and, in many cases, dichotomies. For me, these concepts have appeared as appropriate “tools” in this investigation. The concepts themselves will mainly be discussed when they first appear in the analysis, but a preliminary summary

¹⁷ And that is another reason why I am a bit skeptical about approaches that put too much emphasis on the historical and rhetorical dimensions of the concepts (and sometimes – which is even worse – the words) themselves. But that is not to deny the importance of conceptual history if one approaches the history of political thought as more of a *historian* than as a political philosopher (indeed, I will make some use of conceptual history myself in a later chapter of the present study).

here will serve as a quick guide to what the reader will, and will not, find in the present work.

First, there are in the economic chapters a couple of dimensions that serve to structure the analysis. Important here is subjectivism vs. non-subjectivism in economic theory. I have laid great stress on showing how Austrian economics differs from other economic doctrines by referring to their views on subjectivism and such things as measurability and calculation. Another important concept when it comes to economic theory and policy is “intervention”. To sort out what counts as an intervention and what sorts of interventions are possible in the economy has been an important point in the analysis.

Then there is the metaethical dimension, where there are three important dichotomies, which to a high degree has structured my analysis of the second order ethical claims of the authors in question. The concepts in question are realism vs. anti-realism, cognitivism vs. non-cognitivism, and internalism vs. externalism. These concepts are described in the next section, and there I will also present some arguments why I think these metaethical concepts and dichotomies are so important, and why I think they are too often neglected in political theory.

The substantial normative analysis in part 2 is mostly characterized by concepts that most political theorists (and moral philosophers) are familiar with. There is deontology vs. consequentialism, hedonism vs. preference utilitarianism, positive and negative freedom etc. Again, the meaning of these concepts is described when they appear in the analysis.

When it comes to my discussions about democracy I have deliberately chosen to focus on certain narrow questions that I believe are most acutely relevant in connection to the thinkers in question. Mainly there is the question about the connection between metaethics and democracy, which I discuss a bit more in the next section, but the question about the “rhetorical” feasibility of an anti-democratic position is also pertinent (given my “minor” aim of discussing the (non)popularity of some of the Austrians’ propositions).

So is this the best way to structure a work like this? Given my methodological approach and my “analytical” leanings it appears so to me. Other researchers might find different dimensions and dichotomies interesting and relevant, but to this I can only answer that this study is *my* contribution to the study of the normative views of the Austrians, and that I welcome other contributions that might ignite a scholarly debate about this.

The Metaethical Dimension

As stated in the previous section, there are some aspects of normative analysis that interest me¹⁸ more than others. While internal coherence is downplayed I focus on the reasons for accepting the *foundations* of the respective theories, as well as discussion about some *empirical* assumptions when that is warranted. But I also take some interest in the authors' metaethical views, and this will be most apparent in chapter VI. Besides being interesting from a "purely" philosophical standpoint, metaethical standpoints often have consequences on a more practical plane (it is, for instance, important in Rothbard's and Hoppe's rejection of democracy), and for that reason I think political theorists should show more interests in them. Anyway, this section is meant to serve as a (very) short introduction to metaethics for those who are not already familiar with it – but towards the end of the section I also add some points that is not merely introductory.

The "standard" issues that most moral, as well as political, philosophers discuss fall in a category that is often referred to as "first-order" theories. They are the substantial questions about what just, or good, actions or societies are. "Second-order" theories, on the other hand, are *about* moral theories (Copp 2006: 4f). They are, in other words, *meta*-ethical. In metaethics one asks what values *are*, and the procedures for "*finding*" them – questions about moral ontology and epistemology. The main controversies concern whether there are moral *facts* (an "objective" morality) or not and the role of human "reason" in establishing what is moral or immoral. The main dividing line is between realism and anti-realism (which usually coincides with the other main dichotomy, namely cognitivism versus non-cognitivism).

Realism and anti-realism

According to moral *realism* there really are moral facts, and those facts "are what they are even when we see them incorrectly or not at all" (Sayre-McCord 2006: 40). There are, however, disagreements among realists about the nature of those facts. As an adherent to *naturalism* one might attempt to identify moral facts with less "problematic" facts. Examples in the past have been to identify the good with what is pleasurable or what satisfies human desires. A more modern approach is to identify moral facts with conventions in a certain group (i.e. a kind of *relativism* – a term that should not be confused with antirealism or non-cognitivism). Common in the past has also been to turn to *supernaturalism*, that is, identifying the good with facts about deities (or their wills). For a naturalist, finding out what the moral facts are is

¹⁸ Whenever I talk about being "interested" or "uninterested" this does, of course, merely suggest that certain types of analysis are not relevant for the purpose of this particular study, and not that they are "uninteresting" in a broader sense.

like finding out facts about the world in the manner of natural science (although it may be hard – for the supernaturalist – to find out exactly what a deity wills) (Sturgeon 2006: 92f; Sayre-McCord 2006: 44f).

The most famous (because he set the stage for much of the discipline of metaethics¹⁹) critic of naturalism (and supernaturalism) was G. E. Moore. He devised the so-called open-question-argument, which stated that if we equated the term “good” for some natural fact, for instance pleasure, then it would be the case that the “equation” $\text{good}=\text{pleasurable}$ could be read $\text{pleasure}=\text{pleasure}$ (a very trivial statement); but for Moore these are clearly not the same things – it is still an “open question” if what is pleasurable is also good (it would, in other words, not be senseless to ask: “it is pleasurable, but is it also good?”). This means, along the line, that we may define goodness in terms of natural facts, but then we would, so to speak, take away the *normativity* – the prescriptive “force” – of the “good”. It seems that the naturalist must commit herself to the claim that the recognition of a moral fact automatically provides the motivation to act in accordance with it (Dancy 2006: 129f, 133f).

A realist alternative to naturalism is *non-naturalism*, where the facts about what is morally good are not identified with natural facts, but with non-natural ones. One reason for being a non-naturalist is that natural facts may not necessarily have the motivational force, or in-built “to-be-doneness”, mentioned above. According to Russ Shafer-Landau, what separates naturalism from non-naturalism is that natural truths are discovered *a posteriori* (by experimentation, observation etc.), whereas non-natural truths are discovered *a priori*. This means that although ethics is about discovering facts, it is not a *science*; instead, it uses *philosophical* methods to arrive at the moral truth (Fisher 2011: 73-76, 81f, 86f).

If the realist claims that there are moral facts (whether they be of the natural or the non-natural type), then the *anti-realist* (or “nihilist”) claims that there are no such things. A common anti-realist way (at least in the past) of describing ethical discourse has been *emotivism* (which is the most common *semantic* companion to the basic *ontological* claim of anti-realism). The first systematic account of the theory was probably produced by Axel Hägerström (1987: 27-50), but it became more widely known when A. J. Ayer defended it in *Language, Truth & Logic*. The latter’s contention was that “in so far as statements of value are significant, they are ordinary ‘scientific’ statements; and that in so far as they are not scientific, they are not in the literal sense significant, but are simply expressions of emotion which can be neither true or false” (Ayer 1964: 102f). Ethical statements are, in other words, neither empirically verifiable nor analytically true, and are therefore

¹⁹ The only figure that is usually mentioned as an important forerunner to Moore is David Hume, who called attention to the (logically unbridgeable) “gap” between what *is* and what *ought* to be, or between *facts* and *values* (which is often referred to as Hume’s Law).

(scientifically) “meaningless”. He claims that moral judgments are expressions of emotion. For instance, “killing is wrong!” does not *describe* any facts (including facts about my feelings when I think about killing), it merely *expresses* an anger, dislike etc. Thus, ethical statements are somewhat like saying “ow!”, “ouch!”, “hurray!”, and so forth. Furthermore, this means that, according to Ayer, there is neither moral truth nor (genuine) moral disagreement (Fisher 2011: 25-31).

This kind of emotivism has been refined in different ways by people like C. L. Stevenson, Allan Gibbard, and R. M. Hare (the latter did not actually designate himself an emotivist, although others believe that he basically belong in that camp²⁰). Gradually it became clear that “emotivism” might not be the best label for the theory, since ethical language can *seem* to be quite unemotional. Nowadays, it is not uncommon to hear the term *expressivism* instead, which leaves “some latitude in identifying exactly what is expressed” (Blackburn 2006a: 149). To put it simply, whereas earlier non-cognitivist theories were mainly *speech act theories*, expressivism does not connect sentences with speech acts they are taken to perform, but rather with mental states (Schroeder 2010: 74).

But some anti-realist philosophers have rejected expressivism altogether, thus being described as *cognitivists* and anti-realists at the same time. The most famous theory of this kind is probably J. L. Mackie's *error theory* of ethics. While he believes that there are no objective moral facts (anti-realism), he believes that moral judgments express beliefs and are truth-apt (cognitivism). In other words, ordinary moralizing has a realist surface, in that most people who disagree about moral issues really believe that they are disagreeing about *something*, and that the argument can be resolved in a manner that resembles scientific investigation. Now Mackie's conclusion is that people do actually disagree on realist terms, but since there is no truth of the matter then “[a]ll moral judgments are systematically and uniformly false” (Fisher 2011: 39). In the end, it is probably the case that Mackie's theory is almost indistinguishable from expressivism, because “expressivism is as good as it gets” when the realistic surface of moral theorizing can only produce false statements (Blackburn 2006a: 153). Simon Blackburn has attempted to remedy this by providing a *quasi-realism*, which states that “the realistic surface of the discourse does not have to be jettisoned. It can be explained and defended even by expressivists” (ibid.: 154). This becomes possible if one assumes that moral statements must *function*, or fit together consistently. Blackburn “argues that our moral language has developed from

²⁰ Schroeder (2010: 45) views Hare as basically being engaged in the same type of project as Ayer and Stevenson. These theories all have “the form of telling us the meaning of some word by telling us what it is used to do. For example, Ayer told us that ‘wrong’ is used to express disapproval, Stevenson told us that ‘good’ is used to elicit approval, and Hare told us that ‘good’ is used to commend”.

non-cognitivism to have the outward appearance of realism because the realist language is needed for moral language to function properly” (Fisher 2011: 102). Blackburn, thus, seems to assume that philosophy must, so to speak, adjust itself to ordinary language, rather than the other way around (which is Mackie’s view) – if people talk “realistically”, then philosophy must also, in some way, behave realistically. This is, however, a view that I do not subscribe to myself, and I believe that it leads Blackburn into some difficulties.

Internalism and externalism

One area of inquiry closely connected to metaethics is moral psychology. More specifically, I want to mention a few words on moral motivation (which will be especially important in chapter VI). Now in practice it is usually not enough to establish what is “moral”, because it might be a useless endeavor if people are not prepared to do the “right” thing. One view (that, for instance, Kant held) is that one does not need any external motivation to act morally other than the moral reasons themselves. For Kant, actions “conditioned by the presence of desires, passions, or interests lack moral worth, because in so acting we fail to respond to what is rationally required just because it is rationally required” (Jacobs 2002: 44f). But the question is whether reason alone can provide sufficient motivation to do the right thing. Hume held that reason cannot move us to act unless it is combined with feeling or desire; but he believed that morality is possible because human beings have *sentiments* that move them to act, and that reason can help them to organize those sentiments. Thus, philosophers influenced by Hume hold that rationality alone cannot “require” you to do anything, even if you may, so to speak, bind yourself to reason, for instance by requiring that moral principles must be universalizable. Reason alone, however, cannot tell you whether you ought to so bind yourself to such restrictions in moral thinking. So the claim that there is an internal or conceptual connection between moral judgment and motivation is known as *internalism*, while the opposite (Humean) view is called *externalism* (Jacobs 2002: 42-48; Miller 2003: 7).

To put this in more mundane terms I will borrow an example from Schroeder (2010: 9): Suppose that you and your friend have been discussing whether she ought to donate money to CARE, a highly rated international poverty-fighting organization. She thinks not. Maybe she thinks it is more important to donate to the political campaigns of the party she believes will make a larger difference than she can with her donation, or maybe she simply thinks it is her right to spend her money as she pleases, and prefers to spend it on soy lattes and sugar-free biscotti. Suppose, next, that you really do convince her that you are right, and that she ought to donate money to CARE. If a representative from CARE knocks on the door soliciting donations, you will expect that she will not be indifferent. If she feels no motiva-

tion to donate, you are likely to wonder whether she was really just being insincere in agreeing with you.

So the problem for ethics is: is it enough to establish what is “right” in a “rational” sense to get people to do what is right, and if it is not, what is this point of making people agree with you about what is right, if they are not motivated to do it? In other words, such a “purely” rational ethic may need “auxiliary” theories that really *do* motivate to action. Sometimes such auxiliary theories are provided, but often they are implicit. It is sometimes the case, for instance, that implicit consequentialist arguments are meant to lend support (or “motivation”) to deontological (duty-based) arguments.

Defending non-cognitivism

As the reader will notice later on, I am not really going to criticize the metaethical views of Mises and Hayek. This is because I generally believe that they are more or less correct (although Mises is a lot clearer about what he actually believes in metaethics than Hayek). Thus, the reader may want to be provided with some kind of defense of non-cognitivism – and that is what I will provide here. So how do I make this defense in a succinct way? Rather than going through a variety of realist theories and describing what is wrong with them, I will choose the more manageable strategy of discussing some recent critiques of non-cognitivism (or expressivism).²¹

Jackson and Pettit (2006) describe expressivism as consisting of two ideas (and the second is supposed to underpin the first): (i) ethical sentences lack truth conditions and do not serve to report anything that the speaker believes; (ii) ethical sentences express certain pro and con attitudes, and express them without reporting them. Now Jackson and Pettit argue that (ii) is false. The problem is that if words like “good” and “just” are “conventional signs” (which Jackson and Pettit claim, following Locke), it is inexplicable how “certain words and expressions” can be “conventional, intentionally used signs and yet generate sentences that lack truth conditions” (p. 318). They believe that utterances such as “that is right” can be both a report (about the truth) and an expression of an attitude, in virtue of the fact that the meaning of words like “right” “are part of the voluntary convention we English speakers entered into concerning what words stood for what when we mastered the language” (p. 319). I fail to see, however, how conventions about words can be used to establish truth and falsity about *moral* propositions. They can establish truths *about the conventional use of the words* in ques-

²¹ Usually I am not very careful in distinguishing between concepts like non-cognitivism and expressivism. In more technical contexts the distinction may be crucial, but in the context of the present discussion I do not think it violates philosophical sensibilities too much if I use the terms in a more relaxed manner. It seems, indeed, that the *forms* of non-cognitivism that are commonly analyzed are also forms of expressivism. The distinction between expressivism and emotivism is more often important to make, but sometimes it is not necessary, depending – again – on the context.

tion; but if “killing is not good” simply is taken to mean “it is true that most Englishmen believe that the word ‘good’ can never be used to describe an act of killing”, we seem to have left the subject of ethics and entered into semantics – and ethics and semantics is surely not the same thing. Expressivism does not deny that “killing is bad” can have truth-value if it simply means “most Englishmen use the word ‘bad’ when they express their attitude towards killing”.

I do not know how popular Jackson and Pettit’s critique is in the anti-expressivist camp, but another critique that has surely enjoyed some popularity among philosophers in recent decades is connected to the so-called Frege-Geach problem. This critique centers on some logical features of moral arguments. The idea is that we can construct a valid moral argument by including a conditional as a premise. Blackburn (2006b: 349) exemplifies with the argument: (i) it is wrong to tell lies; (ii) if it is wrong to tell lies, it is wrong to get your little brother to tell lies; therefore, (iii) it is wrong to get your little brother to tell lies. So the challenge to the emotivist/expressivist is: “how can you give an emotivist account of the occurrence of moral sentences in ‘unasserted contexts’ – such as the antecedents of conditionals – without jeopardizing the intuitively valid patterns of inference in which those sentences figure?” (Miller 2003: 43). In other words, if we assume (and this is usually taken as “confirmed” by intuitive appeal) that we can build different sorts of sentences and arguments with moral propositions (which resemble arguments about non-moral propositions) then non-cognitivism has a problem in explaining why we really cannot do this. The basic idea that Peter Geach (inspired by Frege) introduced is that a sentence like “stealing is wrong” can appear, presumably with the same meaning, in many different sorts of sentences, for instance: “stealing money is wrong”, “is it the case that stealing money is wrong?”, “if stealing money is wrong, the killing is definitely wrong”, or “I wonder whether stealing money is wrong” (Schroeder 2010: 45).

Now the literature on the Frege-Geach problem is rather complicated, and I do not pretend to know all the ins and outs of it; but my own view is that the problem mainly derives from the questionable assumption that we can really treat moral arguments in the form of *modus ponens* (If p then q , p , therefore q). Thus, I believe we should reject the “intuition” that moral arguments should (attitude!?) be posed in this way. If “it is morally wrong to kill” really means “don’t kill!” or something similar, then it seems quite meaningless to make an argument like this: (i) don’t kill!; (ii) if don’t kill! then don’t kill Homer!; (iii) don’t kill Homer! I fail to see how the concept of truth can ever enter anywhere in this argument, or how it can be described as valid or invalid. That seems to require that we can meaningfully say something like “it is true that don’t kill!”, or “if it is true that don’t kill!”. Alternatively we can translate the argument to something like the following: (i) I have the attitude that killing is wrong; (ii) If I have the attitude that killing is wrong then I

have the attitude that killing Homer is wrong; (iii) I have the attitude that killing Homer is wrong. But, again, in that case we have left *normative* ethics behind and entered the domain of reports of attitudes (*descriptive* ethics), which can of course be true or false (the fact that I have a certain attitude towards killing is true if I actually have that attitude).²²

Bergström (1990: 33-38) has raised some further objections to (different forms of) emotivism which are more easily grasped. I think his most serious objection is based on the fact of weakness of will. Some people seem to have the attitude that they should give money to Greenpeace, but still they do not do it. Those persons seem to have a moral opinion (you should give money to Greenpeace), but no corresponding attitude (since he is actually not giving any money). According to Bergström, emotivism does not seem to be able to handle this. He does, however, too hastily brush away the possible reply that we might have several different attitudes, and that another attitude is overruling the attitude to give money to Greenpeace. Furthermore, the assertion that positive attitudes can only be revealed by action seems to be a moral assertion in itself, i.e., a rejection of hypocrisy. This only leads us back to the metaethical status of *that* moral statement (i.e., that hypocrisy is bad). Another objection that, according to Bergström, appears to speak against emotivism is that we are sometimes uncertain about what we believe and that we are engaged in an inward struggle to find the answer. This would be understandable if we are brooding about a knowledge problem; but can we really have this inner struggle to find an attitude? I think we can deflect this critique if we realize that thinking about moral questions can be framed as knowledge problems, *given certain higher-order attitudes*. Thus, it is entirely possible (and consistent with expressivism) that we “rationally” discuss, for instance, whether it is wrong to kill or not; but this search of a “knowledge”-based answer to the question is usually framed against the backdrop of a more fundamental *attitude* regarding, for example, what *should* qualify as a “rational” argument in ethics.²³

²² One can also say that I reject the idea behind the Frege-Geach based objection to non-cognitivism by claiming that sentences like “stealing is wrong” and “if stealing is wrong...” *do not* have the same meaning, unless we treat them like imperatives or the like, in which case *modus ponens* arguments become irrelevant (or impossible).

²³ Incidentally, I believe that the most common accusation (at least in less technically oriented philosophical contexts) leveled against forms of non-cognitivism is that its general acceptance would lead to some kind of moral decay. Leo Strauss, for instance, claims in his classical work *Natural Right and History* ([1953] 2004) that people who cease to believe that their values are objectively true cannot be relied on to fight for them. Even if this is true (which is doubtful), it is more of a psychological theory than a metaethical one. It is entirely possible for non-cognitivists – if they fear this “nihilistic” decadence – to label certain values as being “objectively true”, but that would, of course, not make the values true in any meaningful epistemological sense. We could just as well say that if it is (for some reason) important (because it raises the will to fight) to call certain values “cromulent” values, then we may by all means call them cromulent. Word like “true” or “cromulent” would, in these cases, simply

Metaethics and political theory

As mentioned initially I believe political theorists should take more interest in metaethical questions than they usually do. This is because I think that metaethical views (regardless of how well or badly articulated they are) can have important consequences when it comes to traditional questions of political thought (although we are speaking of pragmatism rather than logical implications²⁴). One can only mention Plato's views on the question of who should rule; it is those who "have seen the realities of which beautiful and just and good things are copies" (*Republic* 520). That small minority of *philosophers* are *entitled* to rule because of the moral *knowledge* that they possess. Of course very few people are Platonists of this kind nowadays, but there are still many political philosophers who hold that there are "objective" values, and some even go so far as claiming that democratic rule cannot be unlimited because people might vote against values that are "true". But if we can make the case (which I believe we can) that moral realism is false (or rather incomprehensible) then we should be extremely wary of philosophers who use moral realism as a way to legitimize radical (undemocratic) agendas (regardless of their substantial content).

The opposite of the "Platonic" view of democracy would perhaps be that of Hans Kelsen, who subscribed to a non-cognitivist (or "relativist") view of ethics. And in the absence of any objective criteria for the correctness of political decisions, he viewed majoritarian democracy as a reasonable system (even though he does not postulate a *logical* connection between "relativism" and democracy), in that as many people as possible would have their will realized (that is, live in accordance with their own individual wills). His belief, furthermore, was that a belief in "absolute" values tends to result in a belief in absolute power (monarchy, or the like) as well (Dreier 1986: ch. V). Similar views were held by Alf Ross, who also subscribed to non-cognitivism and believed that democracy thus should be defined as majority rule (which entails some rights that must exist in order to ascertain the will of the majority – and this, by definition, excludes that majority rule can be "dictatorial"). Like Kelsen, Ross believed that majority rule is the principle that gives the maximum moral autonomy to the citizens. A rule of qualified majority, or unanimity, would probably render less people to be bound by rules with which they would not concur; but by the same token, a *change* of those rules at a later time would be dependent on the same procedure, with the result that the view of a minority would prevail over the view of the ma-

be placeholders for some attitude that we would like to inculcate in people ("true values" might, for instance really translate to "Christian values"; but if our goal is to further Christian values, it might be easier to call them true values instead, especially in a secularized context).

²⁴ "[W]hile the ethical and meta-ethical levels are logically distinct, it is of course one human being who lives at the same time on these two planes, or perhaps alternates between them" (Moore 1958: 378).

majority. But since the minority cannot claim that their view is objectively right, there is no reasonable basis for such a veto power (Ross 2003: 104-106, 115, 137)

Subsequently, It will become clear that these questions may be extremely important when reading and criticizing especially Rothbard and Hoppe, but also, to some extent, Hayek (Mises almost seems to be entirely on Kelsen's side,²⁵ and I – in view of the my non-cognitive views defended above – have less critique to offer on that view of democracy). Therefore, sections about these matters will be included in the respective chapters.

On a bibliographical note, it seems to be the case that some philosophers (but not many) have shown some interest in the relevance of metaethics to ethics (e.g. Tännsjö 1976). The question regarding the relevance of metaethics to the questions of *political rule* (and democracy) has, however, received even less attention.²⁶ Most books that explicitly discuss the value of the democratic procedure, do not really discuss the *status* of that value.²⁷ Now if one takes metaethical considerations into account – for instance, whether there are moral facts and moral knowledge – this seems, at least *prima facie*, to have some relevance when one is expressing a verdict on democracy as a political system.²⁸ The books that do discuss this do so mainly in connection to thinkers like Plato (e.g. Harrison 1993), who explicitly rejected democracy for reasons that can only be described as metaethical. Otherwise, democracy is usually discussed as being valuable as a means to some end – but the *ontology* of that particular end (be it autonomy, equality,

²⁵ That Mises and Kelsen shared some views is not surprising. There are many similarities – both biographical and scholarly – between them. Writes Hülsmann (2007: 41) in his biography of Mises: “The lives of Mises and Kelsen bear many surprising parallels that make this friendship particularly interesting. They were born in the same year and attended the same school. Later they would enter the same department at the University of Vienna, prepare for a scholarly career, and publish their first major treatises shortly before World War I. Both became ardent defenders of the notion that there is no such thing as a science of ethics, but that all judgments of value are merely subjective. While Mises would become famous for his studies of *a priori* laws in economics, Kelsen became a pioneer of the ‘pure theory of law’. Also, both would marry women named Grete, moved to the United States at the advent of World War II, and eventually die in the same year, far from Vienna – Mises in New York, and Kelsen in California.”

²⁶ In 2003, Thomas Christiano described “[p]hilosophical democratic theory” as still being “in a somewhat nascent state” (p. 12).

²⁷ Furthermore, many modern democratic theorists seem to rely – implicitly or explicitly – on some kind of metaethical cognitivism; but that cognitivism is usually simply asserted, without any rigorous attempts to defend such a position – even when the rest of the argument is fairly sophisticated (see, e.g., Estlund 2003, 2008).

²⁸ Perhaps it is the case that whereas the adherence to “normal” moral judgments are not really intensified through metaethical reflection, but rather through “the feeling-states of individuals” (Berggren 2004: 79), I think it may be worth to ponder whether adherence to forms of government may more plausibly be intensified through metaethical reflection (see further ch. VI).

utility etc.) is rarely challenged. It seems that many democratic theorists believe that the challenge raised against Plato has somehow lost its relevance. I think, however, that the views on democracy espoused by Rothbard and Hoppe (and to some extent by Hayek) do show that the question of metaethics and moral knowledge is still relevant to the question of the value of democracy. And since I believe that this is one of the most important questions in political theory (one that really to a large extent determines the overall value of a particular political philosophy), it should be granted some space in the present study.²⁹

Earlier Research

It may be difficult for anyone to claim to have a complete overview of what has been done and what remains to be done when it comes to research about the Austrian School, but so far I think it is not too far from the truth to say that not much has been written about the connections between economics, ethics, and politics in the writings of the Austrians. Many books seem to be written as descriptions and/or criticisms of the Austrian method of explaining economical phenomena (examples of this are Shand 1984, Ioannides 1992, Hakelius 1995, and Vaughn 1998). If, on the other hand, one is particularly interested in questions about ethics and political theory, there only seems to exist a relative abundance of literature on Hayek (e.g. Lundström 1993, Gamble 1996, or Gray 1998), even though it still seems somewhat unclear exactly how his political philosophy should be described and interpreted (see for instance Williams 2005, who thinks that there are many similarities between the thought of Hayek and that of Rawls).³⁰

Perhaps the most ambitious attempt that I have seen so far to describe the connections between economics and political theory when it comes to the Austrian School is Raimondo Cubeddu's *The Philosophy of the Austrian School* (1993). However, he does not seem too anxious to investigate all kinds of cracks that may exist in the arguments, and one of his initial remarks reveals that he thinks especially Mises's and Hayek's opinions about socialism still are *highly* relevant; this "because socialism is simply the most high-profile aspect of a mentality that is far from being defeated". Furthermore, Cubeddu agrees with these Austrians when they claim that you can observe "degenerative phenomena in Western democracies", which "have only just begun to be critically considered". He also believes that the Austrians' predictions and hypotheses about socialism and interventionism have still not been falsified (Cubeddu 1993: xiii). The fact that these remarks can

²⁹ For more on this topic, see Olsson 2013a, 2013b.

³⁰ For more on the research on Hayek, see chapter VII.

be seen as starting points, rather than results, of his analysis can probably account for the lack of thorough investigation of certain interesting aspects of the Austrians' theories. The same can to a certain extent be said about Norman P. Barry, who has a couple of chapters on Mises and Rothbard in his book *On Classical Liberalism and Libertarianism* (1986). The most important thing for Barry seems to be to analyze the weaknesses and strengths in these authors when it comes to defending a certain liberal political system, where their ability to defend private property effectively seems to be the main issue. Thus, his analysis appears to be of interest mostly to readers and researchers who are satisfied to work within a very narrow liberal discourse.³¹

Thus, in light of the weaknesses of the existing analyses I believe one could assert that previous research about the Austrian Schools reveals a lack of deeper discussions about the normative implications (if there are any!) of such an economic approach, but also of a thorough analysis of the ethical statements that are actually put forward by the Austrians (although they may not be parts of the economic theory itself). In the previous case there are some attempts, mostly in short articles and essays. But the research I have discovered so far is usually not focused on the writers that I am interested in. Examples are on the one hand Kirzner (1993), who writes about the “founder” of the Austrian School, Carl Menger, and on the other hand Gloria-Palermo & Palermo (2005) who write about the Austrian School in a very general (and somewhat unclear) way. These latter writers believe that Austrian economics rests on strong, albeit implicit, value judgments — a view which I find problematic.

As regards the analysis of “pure” ethical questions there is, as I said, not much written either, especially not if one is interested in laying bare the arguments of the Austrians while wearing traditional philosophical, and presumably impartial, glasses. And especially the question about metaethics has been much neglected (which often, regrettably, seems to be the case in *political* philosophy in general), excepting some small attempts, such as Barry (1986).

The question about the contemporary relevance of the various political views of the Austrians is also a question that seems to have been neglected. For instance, Hodgson (1996: 393) writes that “while Hayek and von Mises provide strong arguments why a socialist economic system planned entirely from the centre is not feasible [...] they fail to demonstrate satisfactorily why a mixed economy is either unfeasible or severely disadvantageous”. This

³¹ Barry (1986: x) writes the following himself: “I consider the philosophical problems of classical liberalism and libertarianism from a kind of internal point of view. Thus I am not so much interested in a wholesale critique of individualism [...] but in exploring the problems that lie within the doctrine itself: and how each liberal thinker deals with them. The book could be seen as an account of an ongoing debate between liberals themselves.”

particular point has been all too absent in the research about Austrian economics, and it might be used both as a starting point to raise specific critical questions about the separate Austrians' claims about "mixed" economies and to draw some general conclusions about why the Austrian School is not as popular as indubitably some of the Austrians themselves think it must become, once people realize what their claims are (and I believe that these kinds of questions, namely about political "utility" of political philosophies, should be addressed more by political theorists, in order to increase the "relevance" of the discipline).

Sources

The selection of sources for this study has not – as I perceive it – been a problem. Generally, the authors I have been analyzing often return to the same themes in different books, and for the most part their views are consistent over time (sometimes one gets the feeling that they are writing the same book over and over again). They also mostly write in a clear and lucid way, which limits the effort needed for interpretation (and some have claimed that this is the reason why few books that simply describe their doctrines have been written, since the reader can easily turn to the original works herself). Hayek is the exception to this rule, and we shall see later on how problems of interpretation can arise in connection to him. The case of Hayek is also, I think, the only one where choices of sources significantly may affect the interpretation of his doctrines (especially his normative doctrines), but I hope I have made clear enough arguments about why I think some works are more important than others (see chapter VII).

Anyway, the reader will in this study find references to most of the books written by Mises, Hayek, Rothbard, and Hoppe, although the lion's share of the quotations are from works like *Human Action* and *Man, Economy, and State* (by Mises and Rothbard respectively), which are usually (and I would say correctly) regarded as the main works of the respective authors. Furthermore, I have assumed that problems of translation is not a big problem when studying these authors, since most of the works cited have been either written in English directly or have appeared in translations closely examined by the authors themselves. If there is a problem of distorted translations it would mainly be acute in the case of early works by Mises, but I have never encountered any scholarly discussion about this, and therefore I decided not to engage with this problem.

I should also say that when it comes to economics I have basically sorted the material into two traditions: the Misesian and the Hayekian. When it comes to the first tradition I have treated Rothbard and Hoppe as rather orthodox "disciples" of Mises, which is why references to their works mainly

appear in order to illustrate and elaborate the views of Mises. I think few would quarrel with this approach, since I have never really seen any scholarly attempts to draw out serious differences between these writers (when it comes to economics), and I have not found any big differences myself.

Disposition

The first part of the study (chapters II, III, and IV) will focus on the question of economics and its normative content. Chapter II provides an overview of the development of economic thought since roughly the 17th century, as well as an account of the development of the Austrian school of economics (along with a few biographical notes on Mises, Hayek, Rothbard, and Hoppe), while chapter III contains a discussion about economics and normative implications. Chapter IV discusses the economic fundamentals of the Austrian school and what kind of normative ideas we might derive from them. The second part consists of separate chapters on the four writers (although chapter VI treats both Rothbard and Hoppe), analyzing their ethical views, as well as some other issues when connected to their political outlook. My overall conclusions and reflections are presented in chapter VIII.

The thought behind this disposition is that it is more important to study the ethical principles of the Austrians once it is established that their economical ideas are rather empty, normatively speaking. The analyses in chapters V, VI and VII do not, however, depend on the conclusions in the previous discussions about economics (and vice versa). It should be entirely possible to read only chapters I through IV if one is only interested in economics and the other half if one is only interested in ethics and political philosophy. But my ambition has been to write a dissertation that can be seen as an organic totality.

Part 1: Economics

II. A Brief History of Economic Thought

Economics as a separate and somewhat elaborated field of study is often said to have emerged in the seventeenth and eighteenth centuries, and “classical” economics is often regarded as peaking with Adam Smith (and his publication of *The Wealth of Nations* in 1776) and his followers in the first half of the nineteenth century. During the second half of that century classical economics started to evolve into “neoclassical” economics, which became the basis for subsequent developments in the twentieth century, even though different “heterodox” approaches emerged on the side of the neoclassical mainstream (while different approaches of course emerged *within* the neoclassical tradition), such as Marxian economics, institutionalism – and Austrian economics. In the first six sections of this chapter I will outline the development of economics in general, while concentrating on the Austrian school in the subsequent sections.

Furthermore, I should mention that this chapter is intended to serve as a shortish background for those who are comparatively unfamiliar with the history of economics. Those who are vexed by the brevity of the different sections should themselves consult the books to which I am referring (most notably Groenewegen & Vaggi 2003 and Mills 2002), since the chapter is not in any way built around original research on my part. Besides, it is probably possible to jump ahead to chapter III if one is eager to take part of more substantial analyses, even though I think the present chapter (especially the latter part of it) provides a valuable service to those who want to place the arguments that I am investigating in some sort of historical context.

Moreover, many Austrian economists have been rather interested in the history of economic thought, trying to elicit, by way of historical comment, the way in which their approach differs from the mainstream (see the section “An Austrian View of the History of Economics”, below); and since a lot of the Austrian “identity” is focused on the critique of certain trends in economic thinking, there is some point in having at least some knowledge about those trends.

Although there was surely economic thought going on before the 16th century (one can, for instance, mention Nicole Oresme’s thoughts on money in the 14th century), I find that mercantilism is a plausible starting point in an introductory chapter like this. Especially the 16th century was a time when the publication of pamphlets on economic matters exploded, and, unlike in earlier times, much of the theorizing was based on an increasingly secular

outlook. The 1600s and 1700s was also a time when some states became rich quickly, whereas others declined. In an age of rivaling national states it seemed more and more necessary to find out the causes of these changing fortunes (Backhouse 2002: 47-49, 66, 76f).

Mercantilism and Its Critics

During the 1600s economic thought revolved around trade. *Mercantilism* was the order of the day – and perhaps this is not surprising given the upsurge in trade that occurred in the 1500s and 1600s, following Columbus’s rediscovery of America. But few systematic treatments of the subject were written. Nevertheless, as Groenewegen and Vaggi writes, “the mercantilists gave a tremendous impetus to sever economics from the purely ethical and normative approach of medieval times. Facts, figures, calculations began to enter economic discourse” (2003: 16).

The earliest phase (roughly the 16th century) of the mercantilist era was characterized by “bullionism”, which emphasized the acquisition of large amounts of gold and silver (“bullion”). The more gold and silver a state amasses the more its “national wealth” will rise, which means that good policies will have to facilitate the inflow of bullion, e.g., by having a strong currency and high interest rates (which attracts capital). Furthermore imports of raw materials should be discouraged, because they must be purchased by precious metals, and by the same token exports should be encouraged, which presumably can be achieved by the proper sorts of tariffs.

During the golden age of mercantilism, however, (mostly the 17th century), the focus was a nation’s balance of trade, regarded not only from the viewpoint of bullion, but also from produced commodities. The better the balance of trade of a nation, the richer it was perceived to be. To this end, writers like Thomas Mun advocated the export of manufactured commodities, but not raw materials, since manufacturing employs a larger number of people (and their wages should be kept as low as possible). They also thought that the outflow of money from the country need not always be detrimental, since the foreign purchased materials could be transformed and in turn be sold back for more money. In sum, the result of mercantilism was a sort of nationalistic protectionism.

When it comes to monetary and credit policy the “mature” mercantilist theory differs from bullionism in that it wants to keep interests low; this because domestic entrepreneurs need to borrow money. The best strategy, according to the mercantilists, would be to let the government fix an upper limit to the rate of interest (the legal limit in England was set to six percent in 1654).

Interesting in the light of later developments is that the mercantilists regarded trade as a zero-sum game: “the growth of national wealth often took place to the detriment of trading partners” (Groenewegen & Vaggi 2003: 21). Of course, this underscored the need for protective policies, like those realized under Louis XIV in France. There were, however, some dissenting voices that favored free trade, which reminds us that neither mercantilism nor any other economic doctrine can be described as a uniform line of thinking. But when free trade was propounded it was still with the rationale that it would increase English trade, and thereby its national wealth (in terms of manufactured commodities).

Towards the end of the seventeenth century writers like Dudley North and John Locke criticized the mercantilist view of interests, as well as stressing the market’s tendency to “adjust” itself without specific trade policies enacted by governments. Locke is also interesting because he introduced the distinction between use value and exchange value, exemplifying this by the “air and water paradox”: “What more useful or necessary things are there to being, or well-being of men, than air and water? and yet these have generally no price at all” (quoted in Groenewegen & Vaggi 2003: 26). According to Locke use value (or utility) does not determine the exchange value, but he presumes some kind of loose relationship between the two, where one has to take into account supply and demand (and, of course, this would later become a prominent theme in economics).

Important to mention is also the economic writings of William Petty, whose theory of wealth was “quite different from that of the mercantilists”, even though he “never specifically rejected mercantilist policies”. It seems that Petty (who died in 1687) had to wait a long time for recognition, though; according to Groenewegen & Vaggi, Karl Marx was the first major author to recognize his contributions to economic analysis. One of Petty’s contributions was the elaboration of an economic method that regarded society as determined by general laws that in turn may be used to guide economic policy. Deeply influenced by English empiricism (and himself being a physician) he came to think that both natural and social science “can only be grounded in precise facts and phenomena”, and that “scientists must reason in terms of weight, measure and quantity”. Sometimes Petty supported the so-called labor theory of value, which relates “value to the production process and to the costs and difficulties incurred in the production of a commodity”, but he distinguished between this “natural price” and the “political price”, the latter being influenced by market forces as well as with government regulations, taxes, and the like. To sum up, Petty appears as something of a link between mercantilism and classical economics if one looks at his analysis of value, his notions of division of labor, and his view of capital as a productive asset rather than a “financial magnitude”. Notable is also his emphasis on the need for reliable statistics and data; he was the first to conceive

of and to try to calculate a national income (Groenewegen & Vaggi 2003: 29-35, Mills 2002: 61f).

Another transitional figure – linking Petty with Quesnay, Turgot, and Smith – is Richard Cantillon (who died in 1734). Cantillon stressed, among other things, the importance of land as a base for national wealth. Furthermore, like Petty he made a distinction between contingent and permanent causes of value. The latter he called “intrinsic” value, and the intrinsic value of a commodity was determined by “the quantity of Land and of Labour entering into its production”. But when the commodity enters the market one must also add the “Humours and Fancies of men” to obtain the market price (or simply price), although he thought that the latter would usually not be much above the intrinsic value. Furthermore, the fact that he assumed wages to be at subsistence level, made the value of land the prime factor in determining value, and the farmer is seen as the most important “entrepreneur” (although landlords play an important part in determining the aggregate demand). Cantillon did not, however, have a theory about how profits arose from the value of agricultural products. But his “work influenced almost every major economic writer in the third quarter of the eighteenth century” (Groenewegen & Vaggi 2003: 48, 52).

Quesnay and Smith

The effective beginning of the *physiocratic* school of economics took place in the 1750s, when François Quesnay published his *Tableau économique* (the final version appeared in 1766). Even though the criticism of Quesnay ripened already during the late 1760s, he is often regarded as one of the co-founders of classical economics.³² As Groenewegen & Vaggi put it: “Physiocracy gave the final analytical blow to the mercantilist view that wealth was made up of precious metal and, above all, that a positive balance of trade was the only source of national wealth” (2003: 58).

To Quesnay, the problems of France stemmed from its backward agricultural sector, with its many taxes and duties and its basically feudal organization. The French economy needed a more efficient base of wealthy farmers that could attract capital and produce a larger surplus. Capital he regarded as “advances” that would have to be put up in order to obtain fixed capital as

³² Quesnay’s *tableau* – a diagram that showed the circulation of money and goods between different classes in society – seems to be one of the earliest attempts to base economic thought (and economic policies) on a few assumptions that are obviously unrealistic. Quesnay assumed, for instance, that people are not led by insecurity to hoard money, that there is free trade in raw produce, and that people are free to cultivate their land as they think best (Backhouse 2002: 102).

well as wages. The advances would also have to be complemented by “reprises”, that is, capital that keeps the production going year after year.

Vital to Quesnay’s analysis is that he thought “wealth cannot originate in an act of exchange, because commerce is just an exchange of commodities of equal value”. Thus, “[w]holesale trade was a sterile activity, and also one that caused damage since it implied artificially high prices given the excessive power of the merchants”. If this was an irritating thought to the merchants, many other thinkers shared his views. Quesnay’s views on manufacture, though, were more controversial, as he regarded that activity as not adding any value to products from the primary sector (that labored with natural resources). But one should note that he “considered manufacture as being mainly small scale: shopkeepers and artisans, who employed almost no fixed capital and were thus unable to raise their productivity and earn a surplus” (Groenewegen & Vaggi 2003: 60f).

Like some of his forerunners, Quesnay used a concept of a “fundamental value” (as he named it), that is, a product price made up of the value of the raw materials used and the subsistence wage of labor, as well as rents and amortisations of fixed capital. Quesnay’s worry was that this fundamental value was too low in France, which discouraged long-term investments in fixed capital. What was needed was a “*bon prix*”, which guaranteed substantial profits to the farmer, which would in turn lead to technical progress and prosperity (due to the capital investments). One way of making sure that the farmers received their *bon prix* would be through free trade, which would increase the demand for French produce, and Quesnay thought that it would result in lower prices for the consumers as well.³³ He did, however, oppose the free import of foreign manufactures (incidentally, free trade in corn were only implemented during a couple of years in the 1760s and 1770s, partly because public opinion believed free trade to be the cause of its dearness, even though the cause may have been that the expected capital accumulation in agriculture did not occur after the initial lifting of the duties³⁴).

Although other writers than Quesnay (for instance, David Hume, James Steuart, and A. R. J. Turgot) contributed to economic thought before Smith, I will now proceed with a brief treatment of his ideas.

Adam Smith (1723-1790) is, of course, mostly remembered for his 1776 book *An Inquiry Into the Nature and Causes of the Wealth of Nations* (although in his own time, his *Theory of Moral Sentiments* was rather celebrated

³³ Incidentally, it was the physiocrats who bestowed the world with the phrase *laissez faire, laissez passer*, to denote a policy of relative non-interference in the economy (Mills 2002: 56).

³⁴ This had – according to Ferdinando Galiani (1728-1787) – to do with the fact that the French class of agricultural entrepreneurs was quite small, and that “the economic policy of Physiocracy assumed the ideal economy described in the *Tableau économique*” and “ignored the actual political and social conditions of the *ancien régime*” (Groenewegen & Vaggi 2003: 86).

too). According to Groenewegen & Vaggi, *The Wealth of Nations* “represents two fundamental milestones in the history of economics”, namely in that it “is the first work which explicitly destroyed the mercantilist conception of wealth”, and that it “provided a benchmark for almost all further development of economic analysis and debate” (2003: 103f).³⁵

In *The Wealth of Nations*, Smith sets out to explain what the title suggests: he develops a theory of the growth of national wealth. Firstly, one should note that in Smith, the notion of wealth as made up of precious metals is completely abandoned. To him, wealth is made up of commodities, which, in turn, are the result of productive processes. Secondly, “wealth is a flow concept and ‘annual produce’ resemble today’s GNP to a remarkable extent” (Groenewegen & Vaggi 2003: 107). So, if wealth consists of the “flow” of commodities, it seems to be important to find out in which way those commodities are produced. Crucial in this respect is Smith’s account of the division of labor. In fact, this becomes his major explanation for the growth of national wealth. Specialized production increases productivity, because, as Smith says, the skill of the worker improves when he or she repeats only a small part of the process, time is saved between the different phases of production, and it is easier to develop small innovations in production if one is concentrated on small segments at a time.³⁶ But in order to develop a division of labor, capital needs to be accumulated, which, in turn, necessitates “parsimony” in a nation.

What is more, a nation needs to expand foreign trade in order to be able to accumulate more capital. This trade becomes an international division of labor, and Smith was generally in favor of free trade, although he did not support it without hesitation. He did not believe that trade is automatically beneficial to poor countries, because rich nations have a bigger interest in trading among themselves. According to Smith there seems to be a threshold that poor countries have to reach before they can benefit significantly from trade – a threshold that consists, among other factors, in the reaching of a sufficient level of capital accumulation. In other words, latecomers into the global economy will inevitably encounter difficulties (Groenewegen & Vaggi 2003: 112-114).

Smith’s theory of value states that in “primitive” societies the exchange value of commodities is determined by the work put in, and nothing else: if it takes one day to produce *A* and two days to produce *B* then *B* will have twice the value as *A*. In the “commercial stage” of society, however, where means of production and resources have been accumulated by particular persons

³⁵ Although the degree to which he “merely” synthesized existing views seems to be a point of debate.

³⁶ But Smith does point to some drawbacks from the division of labor in manufacture, namely that the “individual workers lose involvement in the whole process, and tend to become dull, if not, ineffective operators” (Groenewegen & Vaggi 2003: 108).

and become private property, the prices of commodities must also include profits for the entrepreneurs and rent for the landowners. When profits and rents are added to labor (which is determined by the price of corn that is to keep the worker and his family alive, as well as by the demand for labor³⁷), we get the “natural price”. However, the exchange price might exceed the natural price if the quantity of the product brought to market is lower than the effectual demand. But in the long run the exchange price will “gravitate” towards the natural price if the economy is competitive (Groenewegen & Vaggi 2003: 109-111).

Furthermore, one of Smith’s most famous themes is his view on economic motivation. A well-known quote goes like this: “It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity, but to their self-love”. Thus, individuals driven by self-love are led by an “invisible hand” to promote the general good, even though this was not their intention. This focus on “self-love” marks a great change in economic reasoning, when contrasted with the suspicion with which the Catholic Church had regarded self-enrichment and the like. With Smith, “the invisible hand was made the centrepiece of economic motivation – a position from which it has never since been moved” (Mills 2002: 64).

Malthus, Ricardo, Mill

Again, I have to overlook the contributions of some writers (such as Bentham, Say, Sismondi, and Senior) who wrote during the decades following the death of Smith.³⁸ This section will focus on three of the most important figures of the first part of the 19th century – the “golden age” of classical political economy.

Thomas Robert Malthus (1766-1834) lived through times of economic turbulence, mainly due to the wars with France, which may assist “in explaining his pessimistic approach to social facts” (Groenewegen & Vaggi

³⁷ And Smith was aware that “competitive forces in the labor market are limited and unevenly balanced, because entrepreneurs invariably exhibit much stronger bargaining power than workers” (Groenewegen & Vaggi 2003: 111).

³⁸ Although I would like to mention N. W. Senior’s “four postulates”, that “represent a good description of the state of economics by the middle of the 1830s”: (1) “Every person seeks the largest achievable addition to his wealth, with the least possible sacrifice”; (2) “Population is limited only by moral and physical evil, or by the fear of a lack of subsistence goods”; (3) “The productive powers of labour and of all the instruments of production can be indefinitely increased by using their outputs as inputs in further production processes”; (4) “With a given technology and given skill, there are decreasing returns to scale for labour employed in agriculture” (Groenewegen & Vaggi 2003: 155).

2003: 130). He is most famous for his *Essay on Population* (which came out in several editions with somewhat differing content), in which he states that since population tend to increase at a geometrical ratio while products of subsistence only increase at an arithmetical ratio, natural resources will not be able to keep pace with population growth.³⁹ This means that “natural checks” on population has to step in to regulate population – checks which may consist in plagues, famines, and the like, but may also work in less gruesome ways, for example by the delay of marriage. The latter sorts of moral restraints were the kinds that Malthus preferred.

In his *Principles of Political Economy*, Malthus departed from Smith’s progressivist economics and suggested that the process of economic growth “is accompanied by frequent crises, which periodically affect the economy for considerable periods of time and not as haphazard, or accidental phenomena” (Groenewegen & Vaggi 2003: 131). The cause of these crises was mainly a lack of demand, which led Malthus to stress that there should be a balance between productive and unproductive classes. For instance, the luxury consumption of the landlords has a role to play in sustaining demand; but the demand of all the laborers also had some role to play. When it comes to the latter group Malthus’s view on wages had a great influence during the 19th century. According to him, the “natural price” of labor was that which would enable new laborers to be “supplied”. In a growing economy, this price may rise above bare subsistence level. Interestingly, Malthus suggested that it sometimes would be prudent to sustain demand in the economy during slumps by paying unemployed workers to do public works and the like (ideas that we will see again in Keynes).⁴⁰

David Ricardo (1772-1823) made some advances in speculations about the connections between concepts such as wages, rents, and profit rates. For instance, he asserted that there was a tendency to a uniform rate of profit over all sectors of the economy, and that this uniform rate of profit might be lowered due to, e.g., an increase in population or the imposition of trade barriers. His most famous example regarding those cases is that of land of lesser quality that have to be tilled in order to meet the domestic demand, so that the uniform rate of profit will be determined by “marginal lands”. And the profit rate of agriculture does, according to Ricardo, govern the profit rate for the economy as a whole. However, the push toward to marginal lands can be delayed by technical progress. In opposition to Malthus, Ricardo thought that “the interest of the landlords is always opposed to the interest

³⁹ In other words, the increase in population is of the kind 1,2,4,8,16,32 etc. while the production of food is of the type 1,2,3,4,5 etc.

⁴⁰ Malthus’s contemporaries, however, were more impressed by the so-called Say’s Law, which held that “the proceeds from the sale of all the goods and services produced in the economy generated incomes which must exactly equal the value of all this output”, which, in turn, meant that there can “be no such thing as general overproduction and a shortage of demand for everything that was on the market”.

of every other class in the community,” since he thought rents and profits can never be increased at the same time (keeping wages constant at subsistence level). But he shared Malthus’s pessimistic outlook on society, regarding the economy as a fierce competition between groups, rather than a “harmonic” system where everybody wins.⁴¹ Furthermore, the economic theory of Ricardo has been described as based on “prototypes,” which follow “laws” of behavior, rather than “real” human beings (the workers are interested in eating and procreating and the entrepreneurs in making money), which in turn helped to make economics more of an abstract “science”. Like Smith before him, Ricardo basically accepted the labor theory of value, although there was some room for supply and demand (Groenewegen & Vaggi 2003: 139-142; Heilbroner 2006, ch. 4; Mills 2002: 74).

John Stuart Mill (1806-1873) is sometimes seen as the last important figure of classical economics (or political economy, as it was called then), but he may also be viewed as a sort of transition figure between the classic era and marginalism (see below). His book *Principles of Political Economy* was extremely successful and was used as an educational textbook for a long time. In this work, he eschewed the distinction between use value and exchange value, claiming that “[a]ll economic goods with exchange value must be useful”, and he developed the concepts of supply and demand, to a degree that “[t]he notion of reciprocal demand curves are [...] so neatly described that they can virtually be visualized” (Groenewegen & Vaggi 2003: 193, 194) (it would be the task for the next generation to actually transform it into diagrams). Mill also clearly recognized the notion of *elasticity of demand*, which nowadays is part of the common stock of economics (if, in the case of a price increase of a particular product, the consumers quickly switch to other products, the demand is said to be more or less elastic; if the behavior of the consumers are less affected by price changes, demand is inelastic). It should also be mentioned that Mill took further steps away from the labor theory of value, making his own theory of value essentially one about supply and demand.⁴²

According to Mill capital accumulation and wages will rise when labor productivity is high (and population growth is not too high). In this “progressive” state real wages will rise, mainly because food will become cheaper. However, profits would have a tendency to fall anyway (cf. Marx, below), and Mill contemplated the possibility of reaching a “stationary state”, where real wages remain relatively high, but more time would be devoted to greater opportunities of education and moral improvement (rather than further material improvement). The lot of the poorer classes could, according to Mill, mostly be bettered by keeping birthrates down (Mill had once run into prob-

⁴¹ Recall that Adam Smith had talked about the “invisible hand” of the market that makes the private interests of individuals converge with the “common good”.

⁴² Although there may not be a consensus about this among Mill scholars; cf. Mills 2002: 79.

lems with the authorities while distributing information on birth control) and by raising the education of the workers, but he also discussed the possibility of experiments with profit sharing arrangements, workers' cooperatives, and the like, even though he usually had much praise for "capitalistic" *laissez-faire* as compared to, for instance, state-owned means of production (Groenewegen & Vaggi 2003: 199f).

Furthermore, Mill's economics is closely connected to the ideal type of the "economic man" – that is, "a being from whom he abstracts every human passion other than that for the pursuit of wealth". Thus, the "laws of economics express the consequences of the interplay in society of the activities of economic men". This became a received tradition that many economists carried on (Kirzner 1976: 55).

Marx and the German Historical School

Of course, one must not neglect to mention Karl Marx (1818-1883) in the context of the history of economic thought (although his lasting contribution would be of more importance in sociology and historical studies, rather than in economics). Marx developed his ideas during an era in which classical economics, mainly as established by Ricardo, was being consolidated into a tradition which might be described as hostile ground for socialists:

The combination of Say's law [see footnote 40, above], Malthus's views on population and Ricardo's interpretation of the Labour Theory of Value, was to make it impossible for the central doctrines in Classical economics [...] to contribute anything of much use to practical policies for decades to come. It made it look impractical for the bourgeois state to ameliorate conditions among those benefiting least from the evolving economy [...], leaving only a minimal economic role for the public action (Mills 2002: 76).

Besides his philosophical (through Hegel) and political (socialist) commitments, Marx was, however, very much influenced by classical political economy. He shared with Smith the interest in describing the development of different stages of society, and described this in the form of a base-superstructure scheme, where the first consists of economic relations (modes of production) and the latter of law, ideology, and the like. And his materialist views regard the superstructure as being largely determined by the base. He was mainly interested in the capitalistic mode of production (that is, the

stage of society where this mode *dominates*⁴³), “in which there is private property of all the means of production”, and the laborers “are legally free to seek employment in any capitalist firm” (Groenewegen & Vaggi 2003: 162). According to Marx, the classical economists failed to see that once the workers have entered the sphere of production and become salaried workers they have lost their freedom and become “alienated” from the product of their labor. They have no control of or power over the production process and are treated like commodities.

In his major work, *Capital*, he tries to lay bare the essence of the capitalist mode of production. The typical exchange relationship in a simpler form of production he describes through the scheme C-M-C; that is, a commodity is exchanged for money, which in turn is exchanged for another commodity. Under capitalism, however the scheme looks like this: M-C-M': the basis is “exchange value” instead of “use value”. The M' (which is higher than M, the invested capital) is the surplus value which the capitalist is striving for. And according to Marx it is *labor power* that creates this surplus – through exploitation. The “rate of exploitation”, in turn, depends on how many hours of work the laborer can put in besides the hours that are necessary for the capitalist to provide wages for her cost of living. Now the capitalist can increase his surplus in two ways (if the fixed capital is held constant): by increasing the work hours of the laborers, or by lowering the wages. But he can also introduce new machines, and the like (Groenewegen & Vaggi 2003: 163-166).

A further theme of Marx's was the crises of the capitalist system. For instance, he held that “[i]n order to obtain surplus value, capitalists must not only increase the rate of exploitation [...] but must also successfully sell their products on the market. But the exploitation of the workers squeezes their purchasing power and hence their ability to consume, thereby creating the potential for a lack of effective demand”. In the long run, Marx thought that the *rate of profit* of the capitalists would get smaller and smaller, and eventually the capitalist model “will be subject to an irreversible crisis and will thereby pass out of history” (Groenewegen & Vaggi 2003: 167, 168).

Another type of dissent (at least at the methodological level) in the age of classical economics came from the German historical school (which is of particular interest in our context, since the Austrian school emerged in opposition to it). Its “founder” might be said to have been Wilhelm Roscher (1817-1894) who launched an economic method which consisted in detailed study of history; this because the “laws” of economic development were supposed to be “derived from the investigation of national histories. Attention was to be given not only to their economic development but also to their

⁴³ There are times of transition when no specific mode of production dominates, such as passage from feudalism to capitalism. Marx had very little to say about the mode of production that according to him would eventually supplant capitalism (namely communism).

legal, political, and cultural conditions, all forming a whole made up of interdependent parts”. Thus, if there existed laws of economics, they cannot be of the kind that transcends time and national boundaries (Boettke 2010: xi). Even though the tradition had some longevity, it “failed to throw up any useful guidance about how to use economic policy more effectively in the future than had been done in the past”. However, according to Mills, the links that existed in the 1900s between German and American economic scholarship might have contributed to “the early establishment in the USA of the collection of statistics and historical fact finding” (Mills 2002: 85).

The Marginal Revolution and Neoclassical Economics

During the last three decades of the 19th century, the field of economics acquired many of trademarks that would set the tone for 20th century economics. This phase is sometimes called *the marginal revolution*, and it was initiated by three economists working separately, namely Jevons, Menger, and Walras. The “revolutionary” idea was that of the marginal utility theory of value. That idea was, however, not a new one. According Groenewegen & Vaggi, what makes it meaningful to speak of a marginal revolution in the 1870s is the application of the theory in a different manner, which may be summarized under three headings: scope, method, and institutionalization of the economics profession (Groenewegen & Vaggi 2003: 179-181).

When it comes to the scope of economics, the “new” economists attempted to define the field more narrowly than the classical political economists had done. The focus was shifted from the wealth of nations to the interaction between actors in the market, and the way they set their prices; as Joan Robinson put it:

For Ricardo the Theory of Value was a means of studying the distribution of total output between wages, rent and profit, each considered as a whole. This is a big question. [Alfred] Marshall turned the meaning of Value into a little question: why does an egg cost more than a cup of tea? It may be a small question but it is a very difficult and complicated one. It takes a lot of time and algebra to work out the theory of it. So it kept all Marshall’s pupils preoccupied for fifty years. They had no time to think about the big question, or even to remember that there was a big question, because they had to keep their noses right down to the grindstone, working out the theory of the price of a cup of tea (quoted in Groenewegen & Vaggi 2003: 181f).

As for method, it is by the late 1800s that mathematics became the principal tool of economics, and it became more of a deductive science. Institutionally

economics was separated from such fields as moral philosophy, history, and sociology; and a specialized language was developed. Along with this came academic chairs, specialized journals, professional associations, and the like. And there was a definite change of name from political economy to economics (Groenewegen & Vaggi 2003: 181-183; Mills 2002: 109).

To return to the “initiators” of the marginal revolution, let’s briefly see what they had to say.⁴⁴ William Stanley Jevons (1835-1882) tried – in his *Theory of Political Economy* (1871) – to establish the foundations of economics on the principle of utility. Thus, his theory “elaborated on the pleasure obtained from certain activities such as the consumption of a good. It also included a theory of labour, firstly as a means by which pleasure is obtained; secondly, as something which is invariably accompanied by ‘painful exertion’, increasing with both the intensity and the duration of labour”. He argued that “economics is an exact, mathematical science and that it is only deficiencies in statistics which make many of the economic variables immeasurable”. He stated that “even individual feelings are indirectly measurable, since they can be estimated in terms of the price which has to be paid in order to obtain a certain pleasure”. However, – and this is important – he did not think that pleasures can be measured, since pleasures for different persons are incomparable (Groenewegen & Vaggi: 204f). But he used differential calculus to express the conditions for utility maximization in different settings. For instance, he “derived the condition that utility would be maximized when the ratio of the marginal utility of two goods was equal to the relative price of the two goods. For example, if an apple costs twice as much as a banana, the pleasure obtained from the last apple purchased must be twice as large as the pleasure of an additional banana” (Backhouse 2002: 169).

The reputation of Léon Walras (1834-1910) “rests on his pioneering work on general equilibrium theory and mathematical economics” (Groenewegen & Vaggi 2003: 217). His quest was that of “linking all the markets making up an economy together in a quantitative way, and showing how equilibrium in all of them could be established at the same time” (Mills 2002: 113). This approach would have an immense influence on the continuing development of economics; and the period after the marginal revolution would establish a neoclassical mainstream. Perhaps the most important figure in this synthesis of classical economics and marginalism was Alfred Marshall (1842-1924). He “attempted to retain as much as possible from Ricardo and Mill while recognizing the relevance of the newer theoretical contributions represented by the theory of marginal utility”. In practice, Marshall’s focus was on supply-and-demand concepts, “which saw prices as determined through a subtle interplay of real (physical) cost elements (*à la* the classics) and purely subjective (marginal utility) elements” (Kirzner 2001: 35).

⁴⁴ Menger will be treated below, in connection to the Austrian school.

During the 20th century the techniques developed by the marginalists and the neoclassical pioneers would undergo further refinement. In this context one should mention *econometrics*, a technique “which involves the setting-up of mathematical models describing economic relationships, and then testing the validity of such hypotheses against empirical data”. Basically, what one is searching for is *correlation* between variables, which is a familiar technique for many branches of quantitative social science. A famous application of this method is the Phillips curve (named after New Zealand economist William Phillips), who “set out empirical evidence to show that there was a significant relationship between the percentage change of money wages and unemployment: the lower the number of unemployed, the higher the average wage increases which were recorded”. The implication of the Phillips curve was “that there was an inconsistency between aiming both for low levels unemployment and low levels of inflation”. This kind of refinement within the neoclassical tradition has, of course, encountered some criticism. Partly, it is because the results get harder to understand by policy makers as the mathematical refinement increases, but some people also see problems in that these mathematically based models are built on assumptions which seem unrealistic, such as that of perfect competition. As a result of this, “the way the economy actually operates often bears little resemblance to what ought to happen in theory” (Mills 2002: 125f, 129).⁴⁵

The Keynesian Revolution and Monetarism

If the notion of the marginal revolution is quite uncontroversial, it is not so with the concept of the so-called Keynesian revolution; there seems to be a lot of dispute about what that “revolution” actually consisted in. Named after John Maynard Keynes, it was his *General Theory of Employment, Interest and Money* (1936) that sparked a new development in economics.⁴⁶ The core of his theory is the principle of effective demand, which – if I may cite a lengthy passage from Groenewegen & Vaggi (2003: 302) – can be thusly described:

At any stage in an economy there is a certain amount of productive capacity which determines the amount of output which can be produced from

⁴⁵ Cf. Backhouse 2002: 206-262, 266-268.

⁴⁶ Among the precursors to the “Keynesian” way of thinking one could mention a few Swedish economists, namely Gunnar Myrdal, Bertil Ohlin, and Erik Lundberg. In the interwar period two relatively small countries, Sweden, and Austria, had a disproportionately large influence on economics. When Keynes released his famous work, some of the policies he recommended had already been tried in Sweden (in a way that many regarded as successful) (Mills 2002: 134; Beaud & Dostaler 2005: 35).

the given resources with the given state of techniques. This is the aggregate supply function which determines the potential output of economy up to the point of full employment. In earlier forms of society, full production potential was usually achieved, because individual enterprises produced as much as possible; with modern, industrial society, where the production process is geared to the market, the potential output of the given productive capacity will only eventuate if there is sufficient effective demand for that output, the effective demand being determined by the expectations of sales proceeds of the individual entrepreneurs who control the output decisions. The demand that entrepreneurs expect for their products therefore regulates their decisions about the degree of capacity utilisation (or the amount of employment they are willing to offer, as Keynes put it), and which thereby determines the level of output in the economy.

In more practical terms, this attitude was a shift from neoclassical economics, whose followers basically adhered to Say's law, arguing that depressions (the economic crisis of the 1930s was the context in which Keynes's theory became widely known) would be better left untouched by politicians, and then things would return to normal eventually. Keynes's key economic message, though, can – at least according to Mills – be described as “a comparatively simple one. It was essentially the reverse of Say's law”. According to Keynes “[t]here was no reason why economies should always generate sufficient demand to keep everyone in employment”. Because of this, governments would be well advised to increase demand “by borrowing from the public, and then spending the money on public works and other forms of expenditure” (Mills 2002: 139f). This also contradicted the tenet, held by many economists, that a state's budget should be in balance. According to Keynes, drastic cutbacks in expenditure during economic slumps would only make things worse.

The result of the Keynesian revolution was a shift from microeconomics to macroeconomics, and attention was turned to aggregate variables, mainly connected to national accounting. The view on money also shifted from that of a “neutral” medium to a view which held that “the value of money in circulation was a prime determinant of the amount of activity in the economy, with the level of interest being a function much more of policy decisions than anything which balanced the supply and demand for funds in the market place” (Mills 2002: 142).

The golden age of Keynesian politics was the 50s and 60s, during which growth remained high and unemployment low, particularly in Western and Northern Europe (The US and Britain did not perform quite as good), although economic volatility in the 70s revealed some problems with the paradigm, which may partly have been due to the fact that “most of Keynes's adherents put more of a leftward tilt on his ideas than Keynes himself would

have supported” (Mills 2002: 146). But most important was perhaps the spiraling inflation that the Keynesian system was not designed to handle; so it is perhaps not surprising that *monetarism*, a doctrine focusing on low inflation, took over the crown.

A seminal figure in this movement was Irving Fisher, who in 1911 formulated his Equation of Exchange, which basically stated that an increase in the money supply will result in an increase in prices (while holding some other variables constant). Much of the monetarist thinking was developed at the University of Chicago, and its most famous champion was Milton Friedman (1912-2006). The essence of the monetarist doctrine is that “increases in prices and wages can be held in check by nothing more complicated than the apparently simple process of controlling the amount of money in circulation” (Mills 2002: 161). Thus, the government must be vigilant in managing its finances at all times to make sure that rapid credit creation does not take place. Rather famous is also the monetarist view on unemployment, which claims that there is a “natural” rate of unemployment. Trying to go below it will only result in higher inflation.

All this, Friedman and his colleagues claimed to be able to show by drawing conclusions from large amounts of statistics. Indeed, Friedman’s method was of an extremely empiricist kind, stating that theories should be validated by reference to statistics and that prediction is the ultimate test of an hypothesis (the *ad hoc* assumptions of an hypothesis may be unrealistic, but that does not matter, as long as the predictions based on it turns out to be realized).⁴⁷

An Austrian view of the History of Economics

Murray Rothbard wrote two volumes (his death prevented the appearance of a planned third volume), presenting his view of the errors and merits of economic thinkers of the past. In order to better digest the previous sections, some of his reflections will be described below – and this will serve to highlight some crucial differences between Austrian and mainstream economics (and since Rothbard is usually described as one of the most “extreme” Austrians, his view will distinguish the two ideal types in the sharpest possible

⁴⁷ When it comes to the label “monetarism”, it should be added that it has often been connected to many things that are not strictly about economic theory. This is due to the fact that many monetarists, especially Friedman, combined this economic theory with a general ideological support for free markets. And the “meaning of the term became even looser where, as under Margaret Thatcher’s government in Britain in the 1980s, attempts were made to implement so-called ‘monetarist’ policies using methods [...] that were far removed from those advocated by Friedman. By this stage the term had become almost meaningless” (Backhouse 2002: 298).

way). It is, indeed, Rothbard's view that it is valuable to study the history of economic thought, in order to see just how economics was redirected "down a total erroneous or even tragic path" (Rothbard 2006a: x).

For one thing, it is interesting to note how Rothbard consistently denigrates Adam Smith – a thinker who is usually praised by most economists. He writes, for instance: "Until the 1950s, economists, at least those in the Anglo-American tradition, revered Smith as the founder, and saw the later development of economics as a movement upward into the light". According to Rothbard, there are, however, several grave problems with Smith's theorizing – problems that he believes have infected neoclassical economics to this day. He mentions, for instance, the "egalitarian-environmentalist position [...] that all labourers are equal, and therefore that differences between them can only be the *result* rather than a cause of the system of the division of labour". This led to a conclusion, "still held in orthodox neoclassical economics – that [...] wages, at least in the natural long run, will all be equal, or rather will be equal for equal quantities of labour toil among all the workers". Rothbard, on the other hand, wants to claim that one cannot make an *a priori* claim that every person is a *tabula rasa*, whereas Smith's labour theory "led to Marxism and all the horrors to which that creed has given rise". Furthermore, Smith's "exclusive emphasis on long-run equilibrium has led to formalistic neoclassicism, which dominates today's economic theory, and to *its* exclusion from consideration of entrepreneurship and uncertainty" (Rothbard 2006a: 437, 442, 453, 501).

Another "villain" in Rothbard's history of economic thought is Ricardo, whose thinking is marred by "unrealistic oversimplification". It is true, Rothbard says, that both the Ricardian method and the Austrian method has been termed "deductive"; but the following passage tries to highlight the essential difference: "The Austrian methodology [...] sticks close in its axioms to universally realistic common insights into the essence of human action, and deduces truths only from such evidently true propositions or axioms. The Ricardian methodology introduces numerous false assumptions, compounded and multiplied, into the initial axioms, so that deductions made from these assumptions – whether verbal in the case of Ricardo or mathematical in the case of the modern Walrasians or a blend of both as in the Keynesians – are all necessarily false, useless and misleading" (Rothbard 2006b: 79).

Mill is claimed to have added to this slippery slope of oversimplification in economics with his "deliberate creation of the fallacious 'economic man' – the man who is only interested in pursuing wealth". Thus, Mill "elaborated what might be called the orthodox, or dominant, 'positivist' methodology in economics. The positivist method, set down with such fallacious and fateful clarity by Mill, after a struggle with alternative [...] methods, finally triumphed in the mid-twentieth century with the unfortunate rise to dominance

of the positivism of Vilfredo Pareto and Milton Friedman” (Rothbard 2006b: 151).

Thus, we see how an ardent defender of the Austrian methodology may formulate stark criticism against people who are often regarded as important (positive) forerunners to modern economics. With this I have also given a foretaste of what Austrian economics is and how it differs from mainstream economics. But a fuller description of Austrian economics will begin with the next section (and continue in the next chapter).

The Austrian School of Economics – Early Days

So far I have outlined the development of economics during the last four hundred years or so – a development that has resulted in a sort of mainstream economics, which is being taught to undergraduates at most universities. So what is the difference between mainstream economics and Austrian economics? To answer this question I will begin by going back to the person who is considered to be the founder of this school of thought.

That person is Carl Menger (1840-1921). Although we have seen above that he was important for the neoclassical approach, with his ideas about marginal utility, there are certain ways in which he is usually seen as diverging from it.⁴⁸ But he is a complex thinker, and different “factions” of the Austrian school have used different parts of his thinking. Perhaps one could argue that “many of the conflicts in Menger scholarship” is explained by the fact that “he never completely managed to put all the pieces [of his thinking] together”, which may also “explain some of the major conflicts and future possibilities confronting the modern Austrian school” (Vaughn 1998: 16).

So what are those pieces that Menger perhaps did not wholly succeed to fit together? First, there was his subjective theory of value: “Like Jevons and Walras, and like the German historical school, Menger was convinced that the labor theory of value of the Ricardian school was incorrect. Instead of basing value in objects or the consequences of actions, he located the source of value in individual valuations of the usefulness of goods for the purpose of fulfilling their needs” (Vaughn 1998:17). To Menger, the value of goods arises from their relationship to our needs. Thus, he defines value as “the importance that individual goods or quantities of goods attain for us because

⁴⁸ “Whereas mainstream economists approvingly regarded Menger’s theories as forerunners to their more formal incorporation into conventional economics, earlier Austrians tended to see them as fully developed cornerstones of their particular brand of analysis” (Vaughn 1998: 14). But it should be mentioned that the view of Menger as a founder of his own school (rather than as a part of neoclassicism) is a view that has mostly been developed during the latter half of the 20th century (serious studies of him was partly hampered by the fact that his *Principles of Economics* was not translated into English until 1950).

we are conscious of being dependent on command of them for the satisfaction of our needs”.⁴⁹ And the way to establish value in particular instances is through individual rankings of needs that can be satisfied with particular goods. As Menger says: “If a quantity of goods stands opposite needs of varying importance to men, they will first satisfy, or provide for, those needs whose satisfaction has the greatest importance to them. If there are any goods remaining, they will direct them to the satisfaction of needs that are next in degree of importance to those already satisfied. Any further remainder will be applied consecutively to the satisfaction of needs that come next in degree of importance”. Furthermore, this means that “[T]he value to this person of any portion of the whole available quantity of the good is equal to the importance to him of the satisfactions of least importance among those assured by the whole quantity and achieved with an equal portion” (Menger 2007: 115, 131f; italics in original). In other words, to find out the value one should ask what goal will not be attained if one unit of a good is taken away. This example (adopted and modified from Menger's *Principles of Economics*) can illustrate the principle:

Assume an isolated individual living on an island, who uses a single spring of freshwater for his needs. His ranking says that each day he needs (a) one unit of water for the maintenance of his life, (b) nineteen units for the animals whose meat and milk provides him with food, (c) forty units for keeping good health, cleaning clothes etc., and (d) forty units for a flower garden and for some animals kept solely for amusement and company. As long as our island-dweller has 100 units of water each day, he does not have to be without the satisfaction of any of his needs. But if the spring starts to get exhausted, providing only 80 units of water each day it seems clear that either the need of a flower garden or for “superfluous” animals will not be satisfied. If he skips the flower garden, then we know the value to this particular individual of 20 units of water. To put a number on the value, one might say that if the highest use ranks 10 (the maintenance of life) and the last use ranks 1 (the flower garden), then the value of the additional water is 1. So the more water that disappears from the stream the more valuable the last unit of water gets (Menger 2007: 133-136).

This view of value was both similar to and different from the ascendant neoclassical theory. On the one hand, Menger argued that the consumer who is, for instance, ranking different goods “would bring the satisfaction of one good ‘into equilibrium’ with the satisfaction of the other goods”; but on the other hand, “since he included no given income endowment, it was impossi-

⁴⁹ This also means that in Menger's terminology, “non-economic goods”, that is, goods concrete quantities of which people are not dependent upon to satisfy their needs (if, for instance, all the need for water of the inhabitants of a village can be satisfied with a stream running through it, then water is for them a non-economic good), do not have value at all (See Menger 2007: 117-121).

ble to figure out [...] what the equilibrium consumption basket for his hypothetical consumer would be. Hence he was credited with developing only part of the neoclassical theory of consumer choice". And so, since the "re-discovery" of Menger during the latter half of the 1900s he has mostly been viewed as an alternative theorist, and not as a neoclassical. Even though he talks about states of equilibrium, he sees economic equilibria as "at best partial and ephemeral: The world is characterized more by constant flux than by equilibrium states" (Vaughn 1998: 17, 18).⁵⁰

But if one is to explore Menger's originality it is mainly his methodological work, which is contained both in his *Principles* and in his *Investigations into the Method of the Social Sciences with Special Reference to Economics*, that should be examined. What Menger sets out to do is to "reduce the complex phenomena of human economic activity to the simplest elements that can still be subjected to accurate observation". This means that economics should not be characterized by an "empirical method", or, as he says, "[i]t would be improper [...] to attempt a natural-scientific orientation of our science" (Menger 2007: 46, 47). Menger's central task is not one concerned with empirical observation of human (economic) behavior, but with the establishment of "laws" of human action. In this context, he speaks about "the needs, the goods offered directly to humans by nature [...] and the desire for the most complete satisfaction of needs possible" – factors that are "ultimately given to the economic human, strictly determined in respect to their nature and their measure". But he also talks about a "rule of cognition for the investigation of theoretical truths", which can be confirmed "not only by experience, but simply by our laws of thinking" (Menger 1985: 63, 60).

Another theme in Menger is one that became very important in the thinking of Hayek, namely to what degree certain institutions can be explained as results of conscious goal-oriented actions or not. Menger states the problem in this fashion:

Language, religion, law, even the state itself, and, to mention a few economic social phenomena, the phenomena of markets, of competition, of money, and numerous other social structures are already met with in epochs of history where we cannot properly speak of purposeful activity of the community as such directed at establishing them. Nor can we speak of such activity on the part of the rulers. We are confronted here with the appearance of social institutions which to a high degree serve the welfare of society. Indeed, they are not infrequently of vital significance for the

⁵⁰ Cf. Menger's discussions about time and uncertainty. He says, for instance, that "[w]e are aware, of course, that we will need food, drink, clothing, shelter, etc., during a given period. But the same certainty does not exist with respect to many other goods, such as medical services, medicines, etc., since whether we shall experience a need for these goods or not depends upon influences that we cannot foresee with certainty" (Menger 2007: 81).

latter and yet are not the result of communal social activity. It is here that we meet a noteworthy, perhaps the most noteworthy, problem of the social sciences: *How can it be that institutions which serve the common welfare and are extremely significant for its development come into being without a common will directed toward establishing them?* (Menger 1985: 146).

The answer to this question is, for Menger, to establish that these fundamental institutions are “the unintended result of innumerable efforts of economic subjects pursuing *individual* interests”. And therefore, the basic elements of action do, again, become important. He concludes that “[t]he methods for the exact understanding of the origin of the ‘organically’ created social structures and those for the solution of the main problems of the main problems of exact economics are by nature identical” (Menger 1985: 158).

Menger's immediate followers were mainly Friedrich von Wieser (1851-1926) and Eugen von Böhm-Bawerk (1851-1914). Wieser developed Menger's theory of marginal utility “in ways that brought it closer to the emerging neoclassical theory of marginal utility”. He actually regarded Menger as one of the neoclassical theorists, although he favored Menger's version of marginalism, since it, according to him, “was more general and lent itself to wider application than that of the others. In particular, Wieser criticized Walras's formulation because of his use of mathematics”. Wieser's view would actually become the standard “definition” of the Austrian School for a long time, which to a large extent established an image of the Austrians as “the economists who backwardly rejected the latest scientific techniques in their refusal to endorse mathematical economics” (Vaughn 1998: 33, 34).

Mises, Hayek, and the Socialist Calculation Debate

From the beginning of the 20th century, the mainstream of economics was mainly of a neoclassical type, and even the Austrians themselves did not generally regard themselves as a separate “school”. Most of them saw themselves as “economists”, plain and simple; and many of the economists who were trained in Austria under the influence of Menger, Wieser, and Böhm-Bawerk, proceeded to develop their thinking in a neoclassical setting.⁵¹ We must keep in mind that most of the efforts of the Austrians to separate them-

⁵¹ “Austrians never did completely lose their awareness of the importance of knowledge, time, and process, no matter how much they assimilated into the neoclassical orthodoxy. However, in order to be part of the greater scholarly community, it was necessary more and more to develop their ‘Austrian’ ideas in neoclassical parlance. Clearly, this was true of Joseph Schumpeter, Gottfried Haberler, Fritz Machlup, and Oskar Morgenstern” (Vaughn 1998: 36).

selves from the economic orthodoxy took place after the 1960s. But the first “battle” in which a couple of the most major figures of the Austrian school got a chance to raise their voices, was the so-called socialist calculation debate, which mostly was an interwar phenomenon. Especially in the 1930s, “working out the economics of socialism presented an exciting challenge to economic theorists” (Vaughn 1998: 38). In Vienna, the interest in Marxism had been growing for many years, and some of the participants in Böhm-Bawerk’s seminar at the university would become noted Marxists themselves (one could mention Nikolai Bukharin and Otto Bauer).

But Ludwig von Mises, who had also studied under Böhm-Bawerk (even though much of his training was also colored by the German historical school), would not become a Marxist. He was born in 1881 in Lemberg, the son of a construction engineer in government service (with railroads). At the university of Vienna he mostly studied law, becoming a Doctor of Law in 1906. Until then, he had done some work in economic history, but it was only after receiving his doctorate that his interest in economics was turned in the direction of Menger and Böhm-Bawerk. Eventually (in 1913) Mises himself became an unsalaried lecturer (*Privatdozent*) at the university, and the year before he had put forward his first substantial contribution to economics, *The Theory of Money and Credit*, which “carried on Menger’s ideas by applying Menger’s theory of value to monetary theory”⁵² (Vaughn 1998: 39). In 1909 he started working at the Austrian Chamber of Commerce, which was a quasi-governmental body concerned with national commercial and industrial policy. During World War I he both served at the front (as a lieutenant) and at the economics division of the Department of War. After the war his stature as an intellectual became established and his 1922 book *Socialism: An Economic and Sociological Analysis* “placed Mises squarely in the eye of the storm of public debate” (Kirzner 2001: 7). During the 1920s, he was deeply engaged in policy questions, as well as maintaining his university affiliation and running his famed *Privatseminar* at the Chamber of

⁵² The argument of Mises’s book basically goes like this: “At any moment in time, an individual determines the marginal utility of money to him with reference to the objective exchange value of money that existed in the immediate past. On this basis, he will determine his demand for money to hold and will enter the market. Although subsequent market activity will change the objective value of money, this new value will provide the basis for the next day’s assessment. Similarly, yesterday’s assessment will depend on the exchange value of money on the day prior to that, and that day’s, on the day before that. At some point in this historical regress one reaches the point where money emerges from barter, and the value of money to an individual then depends not on its previous purchasing power as money, since that does not exist, but on its value as a commodity [...]. In this way, Mises not only accounted for this historical emergence of money from commodity barter as had Menger, but he tied the ability of individuals to assess the marginal utility of the money unit to this historical process. Money was by nature a product of a historical continuity, and not the product of agreement or government fiat” (Vaughn 1998: 40).

Commerce (he would have preferred a full professorship at the university, but that he could never obtain⁵³). (Kirzner 2001: 2-12.)

To return to the calculation debate, it was to a large degree an article by Mises in 1920 (which would be expanded to the book *Socialism* a couple of years later) that induced socialists to elaborate the economics of a socialist system. The main problem that Mises had pointed to was the impossibility of establishing an adequate pricing system under socialism. Since he regarded the economy as being in constant change, with many unpredictable elements, a system of governmental planners trying to decide what would be produced seemed like an absurdity. Some degree of free prices in a market is needed to adjust to the uncertainties that characterize a non-static economy. The most famous participant on the opposing side in the calculation debate was Oskar Lange, who “attempted to answer Mises’ challenge by finding an alternative means to arrive at economic prices that relied neither on extensive data collection and model building nor on real markets, with all their perceived imperfections”. This solution included the allowance for “private property and a real market in consumer goods and in labor, but having all producer’s goods [...] collectively owned”. In this system, the “managers of all state-owned firms would be instructed to behave as perfect competitors and maximize profits on the basis of prices dictated by” a “central planning board” (Vaughn 1998: 50f).

On Mises’s side in the debate was also Friedrich August von Hayek (whose name is usually simply written as F. A. Hayek).⁵⁴ He was born in Vienna in 1899. In his youth he had various intellectual interests, and eventually got a degree in jurisprudence; even though he had been interested in economics since his time at the Italian front during World War I. Between 1921 and 1923 he worked as a civil servant, during which time he wrote his doctoral dissertation in political science (thus completing his second degree). In 1924 – upon returning from a fourteen-month period of work as a research assistant in the US – he began visiting Mises’s private seminar, while continuing his work as a civil servant. Inspired by Mises’s theoretical work, he started writing on monetary theory, and in 1929 he was admitted to the University of Vienna as a lecturer in economics and statistics. In 1931 he was appointed Tooke Professor of Economic Science and Statistics at the London School of Economics, and in the 1930s he was established as the main rival to Keynes when it came to explaining economic crises (Steele 2007: 2-5; Vaughn 1998: 47).

⁵³ Mises and his friends described his academic situation as one of great hostility from the “establishment”. He wrote himself that “[a] university professorship was closed to me inasmuch as the universities were searching for interventionists and socialists” (quoted in Kirzner 2001: 10).

⁵⁴ It should be mentioned, though, that some modern followers of Mises (and Rothbard) have attempted to underline some differences that exist between Mises’s and Hayek’s critiques of socialist calculation, thus “de-homogenizing” their theories (see Hoppe 2006: 255-262).

According to Karen Vaughn, Mises's "1920 article and his book-length critique of socialism had little effect on the progress of events in his native Austria", even though it helped to set the tone of the debate in the scholarly community. In the second phase (and perhaps the more heated one) of the calculation debate it was Hayek who would hold center stage. And – to cite Vaughn again – his "role in the debate over socialism came about largely as a side issue in his intellectual life that eventually grew to all-consuming proportions". In the early thirties, he was mainly interested in developing his business cycle theory, which built on insights of Knut Wicksell and Mises, viewing these cycles as "the consequence of distortions of the information content of the price signals that inform the decisions of entrepreneurs and investors"; and "[w]hen economic expansion is financed by bank credit that is not backed up by voluntary savings, Wicksell had explained, interest rates would fall below the 'natural rate' and entrepreneurs will think that consumers are demanding more long-term investment projects and fewer short-term consumer goods" (Vaughn 1998: 46-48). In this way, economic crisis becomes a problem of "disequilibrium" between producers' and consumers' expectations.

Who were Hayek's opponents, then, in the debate about socialism in the 1930s? It was not Keynes (who was not a socialist), but "none other than Leon Walras – or Walras as interpreted by his followers in the 1930s". Mises's antagonists had mainly been Marxists, whereas Hayek faced "neoclassical economists who were [...] applying conventional economic theory to an alternative institutional setting" – foremost among them being Oskar Lange (see above). While Lange saw production as "the unproblematic solution to a simple constrained maximization problem", where "[s]ocialist managers would do as they were told and could be disciplined by periodic audits of their books", Hayek thought that "this simplicity of approach seemed totally at odds with reality. The world was far more complex than anything dreamed of in the socialists' philosophies". In 1935 Hayek wrote that the "neoclassical" socialists theorized "as if they believed that the economists' model of perfect competition was an accurate description of reality and not a bare bones abstraction to answer some limited questions" (Vaughn 1998: 49f, 52). In short, the models of the socialists operated with too many factors as given (prices, technology etc.), which, according to Hayek, were not assumptions that worked in the real economy.

The Austrian School after World War II

Many Austrians (adherents to the Austrian school, that is) have described the three decades after World War II as difficult times for their approach. Hayek had basically turned away from economics (narrowly defined) after his time

at the LSE (during which time he wrote the famed work *The Road to Serfdom*). In 1950 he was appointed Professor of Social and Moral Science at the University of Chicago. As an economist he had very little influence, but as he turned more to political theory he managed to pen the somewhat influential *The Constitution of Liberty*, which appeared in 1960 (although it became much less famous than *The Road to Serfdom*). Two years later, he left for Freiburg to be a Professor of Economic Policy, and he retired in 1967. Big fame, however, would not come until 1974, when he was awarded the Nobel Memorial Prize in Economics (shared with Gunnar Myrdal) (Steele 2007: 6f).

Maybe it was true that “it was Friedrich Hayek who brought Austrian economics to England”, but “it was his older colleague and mentor, Ludwig von Mises who is most identified with Austrian economics in America”. Although he was not the first Austrian economist to leave for America, and even though he mostly worked in isolation in that country, he would nevertheless have a huge impact on the revival of Austrian economics in the 1970s.⁵⁵ In Vienna, Mises continued his private seminar at the Chamber of Commerce (as well as occasionally teaching at the University) until 1934, when he left Austria to accept a position as professor of international relations in Geneva. He was quite content with that post, but felt compelled to leave for the US when France fell to the Nazis in 1940 (since Mises was a Jew, he did not take any chances in this precarious situation). In America he had little influence in academic life. From 1945 to 1949 he was on the faculty of New York University in a non-tenured position, and from 1949 to 1969 continued to teach at the university, but was being paid by a private fund. Why did he not manage to establish himself in the US in the same way as he had done in Austria? Vaughn gives a few explanations: First, there was the contention by his supporters that “his unflinching opposition to socialism and interventionism at a time when academics believed that socialism was not only technically possible but also likely to be an improvement on capitalism barred his entry into academic circles”. On the other hand, there may simply have been a question about age; he was nearly sixty when he reached America, and in a letter to Hayek he had blamed his age “for some of his difficulties in integrating himself into a new academic culture” (Vaughn 1998: 62, 64f). No doubt, he probably did not make his own situation easier by writing in an uncompromising and not very humble style.⁵⁶

⁵⁵ As a case of intellectual history it would certainly be interesting to contemplate the “cultural transfer” (on this concept see Strang 2010: ch. iii) of Austrian economics to America in detail, especially in the light of the great importance of Mises. I have not attempted to do such a detailed analysis, but I will provide some remarks on the subject in a later chapter.

⁵⁶ Furthermore, “during Mises’ American life, he was surrounded by people who agreed with his political views and accepted his economic pronouncements almost without question. As a consequence, he never entered contemporary American debate, he rarely received a hard argument that made him clarify or restate his propositions in more moderate form, and he

Mises's seminar at New York University did not have any impact on professional economics. His most "respectable" pupil was, perhaps, Israel Kirzner, who would become professor at NYU and an important figure in the Austrian revival. Other participants of his seminar went on to be known within Austrian circles, but hardly within mainstream economics (Vaughn 1998: 66). The case of Murray Rothbard, however, is interesting. Although Rothbard never attained much academic influence, he nevertheless became the most staunch defender of Mises's legacy in economics, as well as one of the leading figures in libertarian political thought. He was born in 1926 and got a PhD in economics in 1956. He became a determined follower of Mises already in 1949, when *Human Action* came out, and he became an active participant in Mises's seminar. Being mainly supported by the Volker Fund (who also supported Mises), Rothbard published his main work, *Man, Economy, and State* in 1962, which was largely intended as a more accessible and updated exposition of Mises's ideas. 1982 saw the publication of *The Ethics of Liberty*, which displays his only major disagreement with Mises – a disagreement in ethics, not in economics. As an academic he taught at the Brooklyn Polytechnic Institute from the mid 1960s to the mid 1980s, and from 1986 to 1995 he was a professor of economics at the University of Nevada, Las Vegas.

Hoppe has attributed Rothbard's importance in the Austrian movement to three factors. Firstly, he sees in him the latest exponent of the main *rationalist* branch of the Austrian School. Hayek may be more famous, but according to Hoppe "Hayek is not a representative of rationalist mainstream of Austrian economics", but "stands in the intellectual tradition of British empiricism and skepticism, and is an explicit opponent of to continental rationalism espoused by Menger, Böhm-Bawerk, Mises, and Rothbard". Secondly, Rothbard is viewed by Hoppe as "the latest and most comprehensive system-builder within Austrian economics". Indeed, to the Misesian Austrians there are basically two works that define the tradition: Mises's *Human Action* and Rothbard's *Man, Economy, and State* (along with *Power and Market*, which was supposed to form a part of the *Man, Economy, and State*, but only appeared several years after its publication⁵⁷). Thirdly, Hoppe underlines Roth-

became increasingly more rather than less isolated from his academic peers as the years went on" (Vaughn 1998: 68).

Cf. Kirzner (2001: 24): "To the outside world, it appeared, Mises in the 1950s was not only a figure from an earlier era, but one whose ideas catered to the conservative prejudices and practical objectives of business interests. The very unpopularity and unfashionability of Mises' work within the economics 'establishment' seemed to reinforce the impression that he had somehow changed the character of his work from contributions to economic science to ideologically charged apologetics for capitalism. The uncritical manner in which some of Mises' admirers fiercely defended his work must have strengthened this impression even further."

⁵⁷ Since then, *Man, Economy, and State* and *Power and Market* have been published together by the Ludwig von Mises institute, fulfilling Rothbard's original intention.

bard's contribution to political thought as well as economics: "Proceeding systematically beyond even Mises", he managed in "creating a radical – Austro-libertarian – philosophical movement" (Hoppe 1999: 223n, 224, 226).

But like Mises, Rothbard failed to make an impact in the professional world of economics. The approach of *Man, Economy, and State* was "considered anachronistic by the profession"; "Austrian economics was simply old-fashioned, sometimes correct, often incorrect, and always slightly eccentric, but largely familiar economics". As a piece of "ideology", though, the work came at the right time: "By combining both an intense dissatisfaction with contemporary economic formalism with, radical, surprising, and yet simply stated political ideology, Rothbard was able to capture the spirit of the sixties" (Vaughn 1998: 95f, 99). It is most certainly thanks to Rothbard that the Austrian revival in the 1970s became as much an ideological movement as an economic one. And indeed, to this day Austrian economics has remained a movement following these two tracks. One of the clearest examples of this is Hans-Hermann Hoppe, who since the 1990s has come across as one of the most public figures of the Mises-Rothbard tradition (although still rather unknown outside of libertarian circles). Born in 1949 in West Germany, he earned a PhD in philosophy in 1974 and his *Habilitation* in Economics in 1981. Hoppe studied at the prestigious *Institut für Sozialforschung* in Frankfurt, and Jürgen Habermas was his PhD advisor. From 1986 to 1995 he was a colleague of Rothbard (he continued teaching at the University of Nevada until 2007), and he has written extensively about methodology in economics as well as political philosophy and ethics.⁵⁸ It is, as I mentioned, doubtful whether many have heard of him outside of Austrian and libertarian circles, but he is an interesting example of the way the ethics of a libertarian (or anarchist) society has been elaborated in recent years, perhaps testifying to an increasing awareness that (Austrian) economics alone cannot provide the sole foundation for that kind of society. Whether Rothbard's or Hoppe's stocks will rise on the politico-philosophical market is not easy to say,⁵⁹ but the following chapters will hopefully give some indication whether they deserve to rise.

⁵⁸ Some information about Hoppe can be found at the website hanshoppe.com. See also Hülsmann & Kinsella 2009: ix-x and Maltsev 2009: 50f.

⁵⁹ It does, however, seem unlikely that Hoppe will advance from being more than "a footnote in the history of political thought", as one (Mises-style) liberal put it in a highly critical article, in which it is amply demonstrated that Hoppe's rhetorical style and uncompromising fiat makes him an unpopular figure in virtually all political camps. At times one gets the impression that he is a sort of inverted old-style communist who spends at least as much time scorning those that are slightly to the left of him that those on the political opposite of the aisle (see Hartwich 2005).

III. Economics and Normative Implications

As I have indicated, the first substantial question to be discussed in this dissertation regards the values that may, or may not, be found in Austrian economic theory. The importance of the question rests mostly on the further claim that if Austrian economics is normatively “empty”, then a further study of the “purely” ethical claims of the Austrians becomes all the more important.

Now the question about the link between economic theory and normative issues is usually very complex (cf. Beaud & Dostaler 2005: 38), and the researcher who wants to discuss it cannot rely on any “standard” works on the subject – he or she has to connect the threads from many sources and from many sorts of reflections on the subject. Of course, there is a venerable tradition of discussing the implications of a rigorous distinction between *positive* and *normative* economics. This distinction is already quite old – it goes back to the early part of the 1800s, namely to Senior and Mill (Blaug 1992: 112, 121f). The textbook definition says that positive economics “asks questions about what is happening in the economy, why it is happening, and what may happen in the future”, whereas normative economics “refers to what ought to be” (Dutt & Wilber 2010: 18). There is, however, a “lack of unanimous agreement as to what exactly it [the distinction] is supposed to communicate”, and “[t]he widely used connection between ‘normative’ and ‘ought’ or ‘should’ in introductory economics texts leaves it unclear whether normative economics includes all policy advice or only that advice which asserts standards of ethical desirability” (Weston 1994: 3). In any case, the normative/positive distinction usually concerns *one* (quite peripheral) dimension of what I will be investigating, namely the place of (more or less) *explicit* normative statements in the context of economics. Thus, most economists would probably say that they are engaged in positive (and not normative) economics when they refrain from espousing values explicitly, but they would not really consider the way they study economics and the models they use pertinent to the positive-normative question. As will become evident in the following, however, we need more fine-tuned tools of analysis than the common positive-normative distinction (although the literature on positive vs. normative economics has sometimes been helpful in developing these new tools).

To begin, we might say that perhaps it would be difficult to claim that a theory can be *completely* “empty”, normatively speaking. Words like “min-

imal” or “open-ended” might be more appropriate. I suppose there is the question whether the choice of general (proto)scientific outlook (for instance if one should trust one’s own senses) could be described as normative. And there is also the question about the choices of problems to investigate. But I think that question is of lesser importance here, because even though it may be possible to imagine situations where scientists choose research problems at random and *solely* for the purpose of finding out “the truth,” I think almost every scientist (and especially social scientists) would agree that it is “reasonable to ask of science that it be relevant to society, and therefore it is also reasonable that extrascientific valuations at times affect the choice of problems to study” (Helgesson 2002: 79). Thus, the fact that economists are interested in studying, for example, the allocation of scarce resources does not seem to be a strong point of accusation, whereas the choice of methods and models to do this might be more worthwhile to ponder.

It is, however, the case that there are many different points of view an economist can choose from. Economists have often agreed that one phenomenon they should be especially equipped to study is trade, but there has seldom been unanimity as to what aspect of the merchant’s activity that is really interesting.

Some writers see the merchant as an economic agent, because his activities are allegedly motivated by selfishness or marked by a particular shrewdness in calculating the pros and cons of his dealings. Others see his relevance for economics in that his wares are to some extent related to the maintenance of human life; others, in that they pertain to human ‘welfare.’ Still others classify mercantile pursuits as economic because they involve the judicious use of scarce means, while others find their economic character in their reflection of human motives that permit of measurement (Kirzner 1976: 5f).

Thus, it seems that economists are usually interested in a certain aspect of human behavior. Doing economics seems to entail that we must, so to speak, cut off a slice of the phenomenon that we want to study, and only study that particular slice (ibid.: 11). Is it, then, a problem that some economists draw *policy* conclusions based on the study of a particular “slice” of human phenomena? Do these presumed problems stem from the methodology itself?

So, maybe one could start again from a dictum by Felix Oppenheim, claiming that whether a theory is value-free has to do with its applicability “to determinate states of affairs by anyone independently of his political convictions” (Quoted in Gray 1978: 387). If this cannot be determined in an absolute way it certainly seems plausible to say that Austrian economics is more value-free than neoclassical economics, mostly because the “determinate states of affairs” that the latter doctrine seems capable, or willing, to tackle are more restricted, and thus more usable when one has already adopt-

ed certain values. For instance, if one agrees to a rather substantial theory about what “rational” behavior is (which the stereotypical neoclassical view does, whereas the Austrian does not), one has to conclude that many people are irrational, which is a conclusion that suits people who also have a normative commitment to “rationality”, since the theory itself mainly has been equipped to focus on “rational” behavior. So, if one does not have a normative preference for “rational” behavior it gets hard to claim that the theory can be (effectively) used “by anyone independently of his political convictions”.⁶⁰ There is often a temptation to move on from theoretical assumptions to practical conclusions and regard *rational* behavior as *normal* behavior; or, in other words, to turn *ideal types* into *ideals* (Myrdal 1972: 134f, 146; Udehn 1998: 3).

Another example goes like this: “For those in favor of lower taxes and a limited role for governments in the economy, the standard neoclassical microeconomic analysis has historically been a useful tool, not least due to its far-reaching simplifying assumptions. Nothing in its intrascientific valuations and norms necessitates a support for tax-cutting policies. But if you want an economic argument to lend support to the view that taxes should be low, then you may always suggest a stress on simplification, substantiated in a focus on the direct theoretical effects on taxes” (Helgesson 2002: 101). The question is, then, whether Austrian economics provides the same sets of “useful tools” for certain pre-established political views – if it does, in other words, rely on these kinds of “simplifications”.

Furthermore, a neoclassical view seems to beget some problems linked to its empiricist nature, which the Austrian view might be able to avoid. There is, for instance, the fact that general “explanations of the way in which the [very complex] machine [i.e. society] works are likely more often than not to be of limited utility; and there can be no single, unique explanation of how any *part* of the machine works. Thus it becomes possible for alternative explanations to be put forward, and for ideological considerations to motivate the choice of one or other of them” (Meek 1964: 92). And Leach (1968) has pointed to the conundrum that insofar as economics is regarded as an empirical, “positivist” science (neoclassicism can be seen as positivist, but gener-

⁶⁰ Cf. Hodgson (2001: 60 f): “We find, then, that in defining the value of ‘rationality’ within the corpus of CCT [Consumer Choice Theory], economic theorists have proposed the behaviour of an ideal economic man, one who subscribes to a norm of methodical, self-controlled deliberation in economic choice-situations. [...] The rational consumer, as characterized by [Alfred] Marshall, never buys on impulse, constantly repressing any spontaneous urge to indulge himself in the purchase of ‘transient enjoyment’ in preference to a ‘lasting source of pleasure’. He is, moreover, ever vigilant of the need to exert self-control by patiently postponing present satisfaction in order to save his income for future use. And, as a general practice, the neo-classical consumer prefers a pattern of ‘wholesome’ consumption consisting in the purchase of durable goods providing continuing sources of satisfaction, rather than the capricious consumption of ‘ephemeral luxuries’.”

ally Austrian economics cannot) it seems to abandon value neutrality because it has to make appraisals according to pragmatic criteria (i.e. regarding probabilities) when determining which hypotheses should be regarded as “true” (whereas Austrian economics is founded on claims that are seen as necessarily and always true).⁶¹

One could probably make the case that, for instance, neoclassical economics is also relatively value-free if one were to take “values” in a very narrow sense, but as I think the discussion above has indicated I take a broader view in this matter, regarding a “science” as normatively biased if it influences our ways of answering the question of what we should do in a political situation in some predictable way, whereas it could be described as normatively empty if it is very far from obvious what political conclusions should be drawn from the results of its research.⁶² Thus, there is not only the question of *logical* implications, but also (and perhaps more importantly) of *pragmatic* implications (this is also sometimes called *contextual* implications). A simple example of pragmatic implications would be certain assumptions that are made while uttering a sentence. Normally, there is, for instance the psychological pragmatic implication that the person who utters it wants others to believe it too; and furthermore there is the (perhaps more basic) propositional pragmatic implication that another person (i.e. a listener) is present. It is obvious that in these cases the implications cannot be described as logical; and it might also be the case that we are mistaken about the pragmatic implications. But if the pragmatic implications of the verbal performances in the example above are false, “the speaker can escape the charge of absurdity and irrationality only if he has been using this language in a special context such as reporting a conversation, telling a story, acting, testing a microphone, rehearsing a speech, performing an exercise in elocution etc. etc.” (Grant 1958: 309).

To move on to the topic at hand, we might say that a theory that assumes a model for explanations of behavior that to others seems too narrow might not logically lead to moral judgments, but it might as a matter of pragmatics; as Hausman & McPherson (1996: 47) put it:

If one finds the explanation in terms of profit-seeking satisfactory, then one does not find it puzzling that a firm would poison marshland in order to increase its profits. And if one does not find it necessary to explain or to condemn the fact that the pursuit of gain could motivate this action, then one is implying a certain minimum *approval* of the action as prudent and minimally morally acceptable, though not necessarily admirable. This *evaluation* is not part of the explanation itself. It is instead implicit in the evaluation of the explanation as not calling for moral judgment and as not

⁶¹ See also Gordon 2003: 664-666.

⁶² Helgesson (2002) would probably call what I am after “ideological relevance”.

raising further puzzles. As a matter of logic, omitting an explanation or condemnation of the motivation does not *entail* any evaluation. But as a matter of pragmatics, it does.

So, there are good grounds for believing that an economist who *assumes* certain *idealized* conditions to build theoretical models is not doing the scientific equivalent of testing a microphone or performing an exercise in elocution, but that she wants the models to *mean* something in the real economy (although it does not *logically* have to do so).⁶³

In the same vein, we could say that basing an economic theory on presumed “rational” behavior, will usually not logically entail moral praise of rationality, but the fact that the word “rational” is usually used in a positively charged way, makes it a pragmatical entailment. Thus, “[w]hen we say that it is rational for individuals to have medical insurance, we are expressing approval of doing so and suggesting that people ought to make sure they are insured” (ibid: 25). In these cases it is important to distinguish between thin and thick theories of rationality. As a matter of thin theory, rationality might be seen as an extremely formal concept, telling us nothing about what we ought to do. One might, for example, be a rational murderer, rapist or thief. So the question – when it comes to determining if an economic theory is normatively “empty” or not – is how far economic theory moves beyond the thin theory of rationality into the territories of thick theories (this move might for instance consist in building economic theorizing on Pareto optimality⁶⁴).

One might – after reading the above remarks – be tempted to subscribe to a view that claims that traditional theoretical models which analyze “the processes and mechanisms of a ‘pure’ and perfect market economy [...] has enabled economists to reach highly sophisticated insights into the nature and effects of market mechanisms”. But this might also have created a “fixation on market process which is intensified by seeing them in the idealized light of neoclassical models of general equilibrium”, while neglecting the “*actual*

⁶³ An economic statement that does not pragmatically imply anything about the real economy could probably be described as “pointless”. Cf. Grant 1958: 320: “A statement pragmatically implies those propositions whose falsity would render the making of the statement absurd, that is, pointless.” As we shall see later, many of the theoretical positions in Austrian economics can be described as “pointless” in this sense.

⁶⁴ The idea of Pareto optimality is that “[a] change in a multi-person situation should only be regarded as an unequivocal improvement if some people were better off in the new situation and no person worse off than before” (Rothschild 1993: 60). The important thing is that it rules out the weighing of someone’s benefits against someone else’s losses; and postulating this must surely be described as a “normative” choice of sorts (although the degree of normativity depends somewhat on exactly how the Pareto criterion is interpreted and applied). A slightly more sophisticated version of the Pareto criterion is the so-called Kaldor-Hicks criterion, which incorporates the idea of (hypothetical) compensation from the winners to the losers (see Mathis 2009, ch. 3; Fronek & Sima 2009).

role of markets in the mixed economy” (Rothschild 1993: 43 f).⁶⁵ Thereby the “choice” of a traditional neoclassical model might be seen as both an *ideological* choice, as well as a scientific one. And one can also note that even though there at times seems to exist some kind of recognition of the limitations of certain assumptions, and by extension the theories built upon them, they seem to be employed anyway when it comes to the actual analyzes. As one commentator puts it: “Economics textbooks tell us, when they define self-interest, that it does not mean selfishness, and that to believe it does is to be ignorant as to what economics is all about. Yet the same textbooks, usually at a later point, tell us that it is expected in economic theory that the individual will free-ride. In other words, economics conceives of people as inherently free-riders” (Lux 1990: 159).

Now some economists would explicitly state that man is essentially a self-interested creature (not in a tautological way, of course; it is rather a question of what most people would call egoism) *and* that there is nothing morally wrong about this kind of behavior. It gets a little more difficult when the economist merely seems to *imply* the moral acceptance of self-interestedness by choosing to work with a theory that assumes self-interestedness, even though it can be shown that most people does not act out of self-interest in many situations. Again, it is a case of a pragmatic implication rather than a logical one. And this question can be important when it comes to applying economic theory in the real world. As Petracca (1991: 303) has phrased it: “Put simply, assumptions shape models; models influence the design of institutions; and institutions promote certain kinds of behavior. If we design our political institutions based on models of political life embedded with assumptions of self-interest, then such institutions may well promote and nurture self-interested behavior”.⁶⁶ And according to Aldred (2009: 30), the assumption that people are self-interested has led to “widespread use of explicit monetary incentives to encourage people to behave in certain ways”. But if the assumption is wrong, those policies may backfire, or they may be unnecessarily inefficient.⁶⁷ So what we would like to know is whether the choice to cling on to certain doubtful assumptions in these situations reveals

⁶⁵ For more on the implications of assuming “equilibrium”, see Lachmann (1973).

⁶⁶ Cf. Backhouse’s (2010: 17) discussion about the performative character of economic theory: “Prior to the development of” certain economic theories, “financial markets did not resemble the ‘perfect’ markets central to economic theory; there were numerous regulations and legal barriers to certain types of transactions. But economic ideas played a significant role in persuading people to make the changes that enabled the creation of new markets. Economic theories were, to use a term favoured by some sociologists, performative: the use of certain theories led to the creation of a world where the theories were applicable”. See also p. 93f in the same work.

⁶⁷ Aldred (2009: 30) gives examples such as “setting income tax rates without allowing for intrinsic job satisfaction” and “heavy use of targets and audits in the management of schools, hospitals and universities”.

some underlying ideological bias (which, for instance, disregards “inefficiencies” because in the end there is still more choice for the consumer).

One last example of pragmatic normative implications I think would be to what extent an economic theory regards the economy as a machine (cf. my reference to Nelson in chapter I). Perhaps it is the case that a sort of “Keynesian” macroeconomics implies a leaning towards different kinds of social engineering and the like, because it, as Röpke (1960: 247) puts it, regards “the economic process as an objective and mechanical movement of aggregate quantities, a movement capable of being quantitatively determined and eventually predicted by appropriate mathematical and statistical methods”.⁶⁸ On the other extreme, – which is more probable when one is studying Austrian economics – we might find an economic theory that starts from a view which regards the economic process that works, so to speak, organically, as extremely unpredictable, not prone to be quantified at all, and that would be severely disrupted by even the slightest intervention by “non-market” forces. In neither case there seems to be logical implications when it comes to politico-philosophical values, but the pragmatic implications seem quite obvious. If the economic theory says that it is extremely hard to do anything by means of political “engineering”, one would appear foolish to suggest it. And if it is the case that very much can be accomplished by social engineering, without upsetting the whole structure in any serious way, wouldn’t one be foolish *not* to use those means? If it is the case that the “neo-classical synthesis [neoclassical and Keynesian economics combined] provided a ‘left-of-centre Keynesian’ model that made the economics of control obvious to the meanest intelligence” (Waterman 2002: 29)⁶⁹ (the normative political implications of proponents of the neoclassical synthesis has perhaps shifted more to the right-of-centre side since the 1980s), one might ask if Austrian economics really suggests an economics of *non-control* “obvious to the meanest intelligence” (i.e. implying it in a pragmatic way, albeit not in a logical one).

To sum up, we are obviously dealing with “normativity,” (a concept that does not exactly have an established meaning, but fairly well captures the idea that in practice there are many different ways of making an ought-statement) so let me add some structure to the argument thus far. The first major distinction is between *explicit* and *implicit* normativity. Examples of the former would be statements that are normally dealt with in ethics, i.e. the

⁶⁸ More about the practical “dangers” of a quantitative bias in economics can be found in Aldred 2009, ch. 7.

⁶⁹ For more elucidation we might continue the quote: “Not only in the United States, but in many countries and in many languages millions of undergraduates during the next three decades [50s, 60s, and 70s] and more assimilated its underlying message: *The economic activity of a human society is a rational system that can be sufficiently comprehended by economic scientists, who may therefore be trusted to design and implement measures to control economic activity so as to achieve politically determined goals*” (Waterman 2002: 29f).

ones that overtly claims that action x or y is wrong or immoral. One does not see very much of this in economics, but if we go back to Adam Smith we see, for instance, that in the *Wealth of Nations* he inserts remarks about the “sacred” right of property, liberty, and the like.⁷⁰ With modern economists, however, we usually have to rely on implicit normativity, whereby we mean that certain norms, or preferable ways of action, can be extracted in some way. But here too there is a subdivision that seems necessary to make, namely that between *logical* and *pragmatic* implications. On a logical level we may not, for instance, claim that a state that is impossible to bring about should be brought about (i.e., we assume that “ought” implies “can”). But again, economists rarely discuss actions that are plainly impossible. And this leads us to pragmatic implications (that I have mainly been discussing in the several paragraphs above), which itself contains some different types of implications, depending on the nature of the claims we are analyzing. Some examples of the types that I have discussed are: general scientific outlook, choices of problems, use of ideal types, criteria of truth (including assessment of probabilities), behavior that need no comment, optimism/pessimism regarding human capabilities. And as shown above all these types have their own way of “inducing” normativity.

A well-known work that illustrates the normative implications (explicit as well implicit) of a certain economic model is *The Calculus of Consent* by James Buchanan and Gordon Tullock. I advise those who wish to dig deeper in the foregoing questions to take a look at it. It is very interesting in that Buchanan and Tullock themselves say that the normative theory (which, among other things, claim that majority decision should not be considered the default in a democracy) “of the constitution that emerges from our analysis is derived solely from the initial individualistic postulates, the behavioral assumptions, and the predictions of the operation of rules”. In other words, the political recommendations that emerge are based on a model of “economic man,” a model that the authors themselves agree is controversial and deliberately framed so as not to be accurate in the sense of explaining *all* behavior – the model is only interested in average behavior.⁷¹ Thus, Buchanan and Tullock claim that “[e]ven if the economic forces are not predominant enough in human behavior to allow predictions to be made, the formal theory remains of some value in explaining *one* aspect of that behavior and

⁷⁰ See, e.g., Smith (2002: 64; book I, ch. X): “The property which every man has in his own labour, as it is the original foundation of all other property, so it is the most sacred and inviolable. The patrimony of a poor man lies in the strength and dexterity of his hands; and to hinder him from employing his strength and dexterity in what manner he thinks proper, without injury to his neighbour is a plain violation of this most sacred property. It is a manifest encroachment upon the just liberty, both of the workman, and of those who might be disposed to employ him”.

⁷¹ Cf. Udehn (1998: 12): “Public choice is based on the assumption that political, or public man, is economic man and that economic man is universal man”.

in allowing the theorist to develop hypotheses that may be subjected to conceptual, if not actual, testing” (Buchanan & Tullock 1999: 24 f, 17). But adherents to the public choice view of politics (especially those who actively strive to change politicians’ minds on constitutional matters) rarely declare these caveats in a clear manner.⁷² And it seems that it would be difficult to be too candid about them, because that is simply not “allowed” by the model. And modifying the model so as to base it on more inclusive assumptions (ideally – an Austrian would say – the necessary *truth* about human behavior, rather than “mere” assumptions) about human behavior seems to be difficult. For some economic theorizing this may be done without great harm, but often the whole economic-normative theory may crumble if we try to change the original assumptions. It is somewhat like trying to remove cards at the bottom of a house of cards. If, however, the assumptions that have high potential normative content are, so to speak, added *after* the economic theorizing is done, it is more a case of trying to remove cards at the top of the structure – something that is not too hard to achieve, given a steady hand.

So, what needs to be determined in the following investigations is how much explicit ethics must be added to Austrian economics in order to obtain political recommendations, or if, on the other hand, there are already much normative information implied in the economic theorizing. And the overall maxim that should be kept in mind during the investigations is: the more your economic theory seems to *assume*, the bigger the chance that your theory will have *normative* implications; the more your economic theorizing is built on models that only work if the world is changed in different ways, the bigger the chance that your theorizing will have normative implications. Blaug (1992: 93) notes that “the role of assumptions in theorizing [...] is, among other things, to specify the range of the intended applications of a theory”. The problem, when it comes to normativity, is that economists often stray beyond those “intended applications”. Of course, economists – as well as other social scientists – often strive to be politically relevant. But there is often a tradeoff between analytical rigor and relevance. To quote Blaug again (1992: 167):

⁷² Regarding the political extensions of public choice theory, see, e.g., Petracca (1991: 292): “[S]ome proponents argue that rational [including public] choice theory has directly influenced the course of American public policy. [...] Buchanan concludes that the ‘rapidly accumulating developments in the theory of public choice... have all been influential in modifying the way that modern man views government and political process’. ‘This shift in attitudes toward bureaucracies, politicians, and government,’ alleges Buchanan, has precipitated ‘various proposals in the United States, at all levels of government, designed to limit the expansion of governmental power.’ Indeed, after reading Buchanan’s considerable list of political reforms which ‘emerge from the whole body of public choice analysis,’ I am left with the impression that public choice theory could well take credit for most of the neoconservative policies encouraged during the Reagan era.”

If we argue in favor of a market economy compared to a command economy because of the dynamic characteristics of a competitive regime in fostering technical and cost-cutting innovations, and perhaps even political freedom to match economic freedom, our argument is anything but rigorous; it is, however, extremely relevant. On the other hand, if we prove that multimarket equilibrium is possible no matter how large the number of markets, our demonstration is rigorous but has no relevance whatsoever.

It is, in other words, easy to let one explanation spill over from one area to another, even though the type of explanation we are looking for in the one case might not be exactly the type of explanation we are looking for in the other (cf. Gordon 2003: 40). My claim is that the normativity lies in the application of a limited theory to a broader context (especially the political context), whereas a theory that is broad from the outset does not entail the same kind of normativity when this “jump” is made (although I admit that that a broader theory might have less to say on politics if it is not combined with *separate* normative and/or empirical claims).

In what follows, there will not be much of a comparative perspective relating “mainstream” economics to Austrian economics,⁷³ (and since I will only be interested in Austrian economists I have omitted to discuss the neoclassical answers to the questions I have addressed in this section;⁷⁴ my aim was to provide a framework for analysis rather than settling a debate) but I hope my study will provide interesting material for those who wish to make those comparisons. As stated above the *reason* for studying the normative implications of economic theorizing has mainly – for my part – been to establish the need for a deeper analysis of the Austrians’ explicit moral statements, hence my analysis has not gone further than I perceived as necessary to establish that need. Furthermore, I hope that the analytical *framework* adopted here is useful to analyze different economic doctrines even if one does not, in the end, agree with the criticism raised against (mainstream) economics for being normative in a somewhat “sneaky” way.⁷⁵ Moreover, I do not think that those who disagree with the criticism can simply disregard the discourse about the normative content of economics. One may, however, believe that working with simplifying models is simply necessary to do economics, and

⁷³ A good starting point, however, for such comparisons would perhaps be Lachmann (1973).

⁷⁴ For a brief overview of neoclassical replies to its critics, see Backhouse 2010: 9-11, 46f.

⁷⁵ And the question whether the criticism against mainstream economics hinted at in this chapter is fair or not, is not necessarily a very relevant question in this particular context. It seems reasonable to assume (as I do here) that it can be meaningful to ask whether theory A can be “accused” of *x*, *y* and *z*, even if the allegations *x*, *y* and *z* are invalid in the case of theory B (even though the points of allegations were mainly developed in connection to criticism of theory B). This is, of course, convenient for someone who is basically a dilettante when it comes to the everyday business of those who are engaged in theory B.

that the normative biases that may result (when economics is turned into economic policy) is a price one has to pay, but that does not invalidate the relevance of the values-in-economics discourse.

IV. Austrian Economics and Normative Thinking

Praxeology and the Nature of Economics

The particular brand of Austrian economics that will be the subject of the bulk of this chapter might be described as the Mises-Rothbard tradition, in which also Hoppe can be said to have aligned himself.⁷⁶ I will do the best I can to describe this kind of economic theorizing, but the main question that needs to be resolved is of course what the normative implications of accepting such an economic perspective might be. The economic thinking of Hayek will be deferred to a later section.

For Mises, the foundation of economics must be knowledge about human action in itself. According to him an economist cannot rest satisfied while studying only those phenomena that pertain to the creation of wealth and actions whose main motive is the making of profits. That is the fault that classical economists like Adam Smith and John Stuart Mill had made, while the early Austrian school had put economics on its right track with the introduction of the subjective theory of value. This had the result of getting economics to be about action in general: “Choosing determines all human decisions. In making his choice man chooses not only between various material things and services. All human values are offered for option. All ends and all means, both material and ideal issues, the sublime and the base, the noble and the ignoble, are ranged in a single row and subjected to a decision which picks out one thing and sets aside another”. This point of departure gave us a type of economics that studies human action in its many forms – a discipline that Mises preferred to call *praxeology*.⁷⁷ The study of a certain aspect of praxeology, namely that of “traditional” economic questions, he called *catalactics*. Being, thus, “only a segment of a general science of human action”, Mises defines catalactics as: “the analysis of those actions which are conducted on the basis of monetary calculation” (Mises 1998: 3, 235).

Thus, the praxeology of Mises is all about the study of action; but he takes great care to distinguish economics from psychology in pointing out that the object is not to study the psychological motives that make different kinds of

⁷⁶ Cf. Hoppe 2007: 8f.

⁷⁷ Regarding the origins of the word, see Mises 1998: 3n.

action happen. As long as an action is *purposeful* it can be studied by praxeology, and “[w]hether an action stems from clear deliberation, or from forgotten memories and suppressed desires which from submerged regions [...] direct the will, does not influence the nature of the action”. Thus, it is not just “normal” behavior that can be studied praxeologically; the only requisite is that an action is directed towards some goal: “Action means the employment of means for the attainment of ends”. But it is also true that “[a]ction is not only doing but no less omitting to do what possibly could be done”.⁷⁸ He also points out that there is no sense in distinguishing between “rational” and “irrational” behavior. These concepts are “meaningless” when applied to “the ultimate ends of action”, since “nobody is in a position to substitute his own value judgments for other people’s aims and volitions” (Mises 1998: 12, 13, 14, 18f).

According to Rothbard, “[w]e could not conceive of human beings who do not act purposefully, who have no ends in view that they desire and attempt to attain. Things that did not act, that did not behave purposefully would no longer be classified as human”. Thus, it seems (by virtue of the prior definitions) indeed to be a “fundamental truth” that “men act by virtue of their being human”, and, as Rothbard says, “[t]o assume the contrary would [indeed] be an absurdity” (although he adds in a footnote that “[t]here is no need to enter here into the difficult problem of animal behavior”) (Rothbard 2009: 2). Thus, it also seems to be the case that the axiom of action could not be refuted by argument, because taking part of the argument would itself establish the axiom.

So praxeology is about action, not about the motives or goals of the different actions. It studies *means*: “The teachings of praxeology and economics are valid for every human action without regard to its underlying motives, causes, and goals. The ultimate judgments of value and the ultimate ends of human action are given for any kind of scientific inquiry; they are not open to any further analysis. Praxeology deals with the ways and means chosen for the attainment of such ultimate ends. Its object is means, not ends” (Mises 1998: 28).⁷⁹ The main question for the praxeologically minded economists is thus to ascertain whether chosen means are effective in reaching given goals. And in taking people’s goals as something that cannot be evaluated scientifically praxeology claims to be “subjectivistic”, but also in a sense “objectivistic”, because even though peoples goals are nothing but their own, they are at the same time objectively given for the analyst.

⁷⁸ Cf. Hoppe 1990: 212.

⁷⁹ Cf. Rothbard 2009: 73: “Psychology and ethics deal with the content of human ends; they ask, *why* does the man choose such and such ends, or *what* ends *should* men value? Praxeology and economics deal with *any* given ends and with the formal implications of the fact that men have ends and employ means to attain them.”

Mises believes this means that since praxeology is “subjectivistic and takes the value judgments of acting man as ultimate data not open to any further critical examination, it is itself above all strife of parties and factions, it is indifferent to the conflicts of all schools of dogmatism and ethical doctrines, it is free from valuations and preconceived ideas and judgments, it is universally valid and absolutely and plainly human”. It should, however, be pointed out that while Mises strives to maintain this objectivity of praxeology he often uses terms that are very emotionally charged. He writes, for instance: “If we want to know an individual’s position in the frame of the market economy, we must look at his balance of payments. It tells us everything about the role he plays in the system of the social division of labor. It shows what he gives to his fellow men and what he receives or takes from them. It shows whether he is a self-supporting decent citizen or a thief or an almsman”. Some people would perhaps maintain that one could read out *implicit* judgments of value from this way of using language, but if we are to follow Mises’s own economical (and politico-theoretical) method we can only assume that he would have nothing whatsoever against regarding words like “decent citizen”, “thief” and “almsman” as nothing but formal categories devoid of any built-in judgments of value (even if one could claim that there would be better words to choose if one really wants to appear as a value-free scientist), at least until we have used a consequentialist analysis that describes how good or bad it is for society at large that people occupy these particular roles (Mises 1998: 28, 447).⁸⁰

In order to assert “universal” validity Mises draws a sharp distinction between praxeology and historical knowledge. Praxeology, he says, “is a theoretical and systematic, not a historical, science. Its scope is human action as such, irrespective of all environmental, accidental, and individual circumstances of the concrete acts.” In this way he allows himself to claim that the “statements and propositions” of praxeology are valid *a priori*, like those of mathematics and logic (although the logical statements are analytic whereas

⁸⁰ Cf. Mises 1998: 95f: “The notions of abnormality and perversity [...] have no place in economics. It does not say that a man is perverse because he prefers the disagreeable, the detrimental, and the painful to the agreeable, the beneficial, and the pleasant. It says only that he is different from other people; that he likes what others detest; that he considers useful what others want to avoid; that he takes pleasure in enduring pain which others avoid because it hurts them. The polar notions normal and perverse can be used anthropologically for the distinction between those who behave as most people do and outsiders and atypical exceptions; they can be applied biologically for the distinction between those whose behavior preserves the vital forces and those whose behavior is self-destructive; they can be applied in an ethical sense for the distinction between those who behave correctly and those who act otherwise than they should. However, in the frame of a theoretical science of human action, there is no room for such a distinction. Any examination of ultimate ends turns out to be purely subjective and therefore arbitrary.”

the praxeological are synthetic).⁸¹ As such they cannot be refuted by empirical evidence.⁸² But this entails that Mises must respond to the charge that praxeology, if its statements are valid *a priori*, cannot increase our knowledge about the actual world. He admits that aprioristic reasoning does only produce tautologies and analytical judgments, but at the same time uses the example of geometry in his defense: if the theorem of Pythagoras is analytical, it is still the case that “nobody would contend that geometry [...does] not enlarge our knowledge”. A similar example is the quantity theory of money (which claims that if the supply of money increases, prices will, *ceteris paribus*, also increase), which “does not add to our knowledge anything which is not virtually contained in the concept of money”, but, again, nobody would “deny the cognitive value of the quantity theory”. Summing up, Mises writes that “[t]he theorems attained by correct praxeological reasoning are not only perfectly certain and incontestable, like the correct mathematical theorems. They refer, moreover with the full rigidity of their apodictic certainty and incontestability to the reality of action as it appears in life and history. Praxeology conveys exact and precise knowledge of real things” (Mises 1998: 38, 39).

The key to the simultaneous uncontestability and practical value of praxeology is that its statements are a priori synthetic propositions; to establish them “the means of formal logic are not sufficient (while, of course, necessary) and observations are unnecessary”.⁸³ As mentioned above, the axiom of action seems to fit the description of an a priori synthetic proposition: “It cannot be denied that this proposition is true, since the denial would have to be categorized as an action – and so the truth of the statement literally cannot be undone. And the axiom is also not derived from observation – there are only bodily movements to be observed but no such things as actions – but stems instead from reflective understanding” (Hoppe 2007b: 18, 22).

And the dividing line between history and praxeology also entails that “[h]istory cannot teach us any general rule, principle, or law. There is no means to abstract from a historical experience a posteriori any theories or theorems concerning human conduct and policies. The data of history would be nothing but a clumsy accumulation of disconnected occurrences, a heap of confusion, if they could not be clarified, arranged, and interpreted by systematic praxeological knowledge” (Mises 1998: 41). From this Mises draws the conclusion that economics and economic history are two disciplines that must not be confounded.

⁸¹ Cf. Mises 1998: 57: “The a priori-sciences – logic, mathematics, and praxeology – aim at a knowledge unconditionally valid for all beings endowed with the logical structure of the human mind”. See also *ibid.*, p. 266: “[Praxeology] is the theory of all human action, the general science of the immutable categories of action and of their operation under all thinkable special conditions under which man acts.”

⁸² Cf. Mises 1998: 858.

⁸³ Regarding the Kantian roots of Mises’s praxeology, see Hoppe 2007: 17-21.

Moving on, it is safe to say that *methodological individualism* is a vital part of praxeology. The actions that the praxeologist study are nothing but the actions of separate individuals. Mises does not deny the existence (and “significance”) of social “entities”, such as states, parties, and religious associations, but what he does assert is that only methodological individualism provides the right tools to “describe and to analyze their becoming and their disappearing, their changing structures, and their operation”. And by evoking methodological individualism Mises is asserting the fact that all actions are being performed by individuals. Even though someone is acting as a representative of a social entity it is still the individual that performs the actions: the hangman, and not the state, is the one who is actually executing the prisoner. In this way a social collective does only exist through the actions performed by (and the beliefs contained in) separate individuals.⁸⁴ Mises also adds that praxeology analyzes concrete *separate* actions (which he calls methodological singularism). In building a cathedral it is thus the placing of each individual stone that is interesting, not the “action” of building a cathedral.

Perhaps the assertion of methodological individualism sounds the alarms of someone looking for normative implications of Austrian economics. I would suggest, however, that the methodological individualism of Mises does not entail much when it comes to political implications. After all, even though he claims that social “entities” only exist, so to speak, in people’s minds, he does not claim that it is *a priori* wrong or right for people to entertain those mental notions. When it comes to praxeology these notions must be accepted as givens, and if the economist wishes to make advice on how to reach these given goals, he surely must know what they are. And, as Mises himself writes, the process by which goals are shaped is a complex matter:

Inheritance and environment direct a man’s actions. They suggest to him both the ends and the means. He lives not simply as man *in abstracto*; he lives as a son of his family, his race, his people, and his age; as a citizen of his country; as a member of a definite social group; as a practitioner of a certain vocation; as a follower of definite religious, metaphysical, philosophical, and political ideas; as a partisan in many feuds and controversies. He does not himself create his ideas and standards of value; he borrows them from other people. His ideology is what his environment enjoins upon him. Only very few men have the gift of thinking new and original ideas and of changing the traditional body of creeds and doctrines (Mises 1998: 46).

It is true that his methodological individualism states that “the common man does choose. He chooses to adopt traditional patterns or patterns adopted by

⁸⁴ Cf. Rothbard 2009: 2f.

other people because he is convinced that this procedure is best fitted to achieve his own welfare. And he is ready to change his ideology and consequently his mode of action whenever he becomes convinced that this would better serve his own interests” (Mises 1998: 46); but the first quote suggests that what is in one’s interest is a very complex matter.⁸⁵ Of course, there are in Mises’s view no “true” interests that one can refer to.

Evans (2010: 5-7) distinguishes between weak and strong methodological individualism and claims that Austrian economics uses the former kind, while neoclassical economics usually employs the latter, more “atomistic” kind, which “assumes that one can generate a conception of man that is pre-social, and use this for predicting the outcomes when such agents interact.” This is interesting when it comes to (pragmatic) normative implications of methodological individualism. If there are a significant number of people who do not really behave according to the model of strong individualism, then should policies be designed to make the people “reform” themselves (become more “rational”) to fit the model? Neoclassical (and some classical) economists are sometimes accused of deriving political recommendations directly from their unrealistic assumptions about what constitutes an “individual” (this was named the “Ricardian vice” by Schumpeter), but since Austrian economics can be viewed as based on a less “extreme” version of methodological individualism, I believe it is less likely to become guilty of this. Udehn (2001: 313, 318, 347) also identifies Austrian economics as built on a less extreme form of methodological individualism (he places Austrian economics 3rd on a scale of descending individualism, where general equilibrium theory comes 2nd), but he does not seem to see as much difference between neoclassical economics and Austrian economics as Evans does, at least not when it comes to probable normative implications. Indeed, he claims that in Mises, the distinction between methodological and political individualism “is totally blurred”, and that Mises’s “allegiance to value-freedom is mere lip-service” (Udehn 2001: 199). Perhaps this conclusion is warranted in light of the fact that Mises, as a *rhetorical* device, often blended normative statements and economics. I do not, however, agree that Mises’s version of methodological individualism in itself (as a matter of pragmatic entailment) carries any normative implications, especially since any generalizations about human behavior are added *after* the theoretical groundwork has been done, and are thus more easily separated than in a neoclassical framework (recall my parable with the house of cards in chapter III).

Even though the economics of Mises is built on praxeology, he does not appear to think that the two are exactly the same thing. Economics – “up to now the only elaborated part of praxeology” – does not, as logic and mathematics, present “an integrated system of pure aprioristic ratiocination severed from any reference to reality”. It brings in certain “assumptions” de-

⁸⁵ Cf. Mises 1998: 143-148.

rived from the reality that is empirically given, but it is still the case that “[a]ll theorems of economics are necessarily valid in every instance in which all the assumptions presupposed are given. Of course, they have no practical significance in situations where these conditions are not established”. The economic method, so to speak, seems to consist in applying the unshakeable axioms of praxeology to empirical observations in order to be able to say something about the real economy. The most efficient method for an economist is “to trace back all theorems to their unquestionable and certain ultimate basis, the category of human action, and to test by the most careful scrutiny all assumptions and inferences leading from this basis to the theorem under examination” (Mises 1998: 66, 68).

In Rothbard’s words economic analysis takes this form: (1) Assert *A* – action axiom; (2) If *A* then *B*; if *B*, then *C*; if *C*, then *D*, etc. – by rules of logic. (3) Therefore, we assert (the truth of) *B*, *C*, *D*, etc. In this way it seems that economics “traces unilinear cause-and-effect relations, not vague ‘mutually determining’ relations”. This also means that economics should not be about “fancy” ways of establishing correlations in mathematical formulas and the like; this would, according to Rothbard, be a way of mistaking economics for physics. The problem of “the mathematical method” in economics is that it “carries with it the bias of the assumption of continuity, or the infinitely small step”, whereas “[h]uman beings [...] do not move in such fashion [...]. The human being cannot see the infinitely small step; it therefore has no relevance to his action”. An example of the “physical” fallacy would be someone choosing between 5.1 and 5.2 ounces of butter. The unit would probably be too small for him to take into consideration, and thus “there will be no occasion for him to act on this alternative”. If butter is used in units of ounces and not in tenths of ounces it would be “cheating” to draw an indifference curve with infinitely small steps. In other words, “there are no precise, quantitative relationships in human history [...]. The only ‘natural laws’ [...] in human action are *qualitative*, not *quantitative*” (Rothbard 2009: 72, 786, 306f, 324).

The fact that Mises and his followers bring back their analysis to “universal” categories for human action makes it possible to escape, as it were, some criticism that may affect more empirically (and mathematically) directed economists, for instance those of the so-called Chicago School (whose most famous proponent is Milton Friedman). In reference to that school Norman Barry writes: “At the basic methodological level, if the Chicago economists construct their political liberalism around empiricism then they must accept the limitations of that approach: the obvious one here is that empiricism only tells us that interventionist policies have *contingently* failed” (Barry 1986: 49). For these economists, as opposed to Mises, there are no theoretical reasons that interventionist policies fail at reaching the goals those interventions were supposed to reach (if we disregard the possibility that Mises or the Chicago economists are mistaken about what the

goals actually are). For Mises, however, the supposed failures of interventionism should be ascribed to theoretical reasons. The “science” of human action supposedly tells us that the interventionists must fail. For the Chicago economist it is a matter of observing cases of interventionism and drawing inductive conclusions. To the Austrians this seems to be a sort of abdication from finding the *truth* in economic matters, in favor of temporarily useful fictions. Nevertheless, there is of course the risk that establishing the perennial *truth* about economic matters might not give much guidance for political action – but this question will be handled more extensively below.

Analyzing the Economy

Perhaps it is not easy to conclude what the discussion above amounts to. By now one is probably curious to know what “substantial” conclusions can be drawn from the praxeological perspective. The task for the Austrians here is to present views that are necessarily true for all acting individuals, and that also give us a starting point for making interesting statements about the actual economy. Following that line of inquiry I think an important principle would be the following: “[n]o appeal to any historical or empirical considerations whatever can discover any fault in the proposition that men purposefully aim at certain chosen ends”. But, as we have seen, for the praxeologically minded economist the goals themselves are not important (since they can not be assessed scientifically). Only the means are important, or, rather, the connection between the means and the ends. Mises’s method in assessing economic behavior and policy amounts to taking the acting person’s goals as given and then finding out whether the means chosen are the most effective (which can be established by praxeology) in reaching the goals in question. For instance, he comes to the conclusion that “[e]conomists consider foreign exchange control as inappropriate to attain the ends aimed at by those who take recourse to it” (Mises 1998: 67, 93).

More specifically, what the economists analyze are *economical* goods and services (both which usually can be subsumed under the heading “goods”), that is, goods and services that are subject to scarcity. “[T]hings,” as Mises says, “available in superfluous abundance” are “not the object of any action. They are general conditions of human welfare; they are parts of the natural environment in which man lives and acts. Only the economic goods are the substratum of action. They alone are dealt with in economics”. And as regards the way people make choices about goods it is fundamental that all choices can be ordered, or ranked, according to a subjective scale of value. Economic exchanges result in “removal of uneasiness” – a feeling that cannot be measured objectively: “A judgment of value does not measure, it arranges in a scale of degrees, it grades. It is expressive of an order of prefer-

ence and sequence, but not expressive of measure and weight. Only the ordinal numbers can be applied to it, but not the cardinal numbers”. And the only way to know the rankings of a particular person is to observe his actual actions, for “[a]ction does not deal with physical or metaphysical units which it values in an abstract academic way; it is always faced with alternatives between which it chooses” (Mises 1998: 93, 97, 120).

Of course, this is the dimension (about value as subjective rankings) that the Austrians blamed the classical economists for not seeing; i.e. they did not regard *utility* in the light of alternatives of action at specific situations. There seemed to be a dilemma in that gold could be more valuable than iron, in spite of the “fact” that iron seemed more “useful” in an “objective” sense. For the Austrians (and other proponents of marginal utility) the dilemma was solved by the claim that “[a]cting man is not in a position in which he must choose between *all* the gold and *all* the iron. He chooses at a definite time and place under definite conditions between a strictly limited quantity of gold and a strictly limited quantity of iron” (Mises 1998: 121). The concept of *utility* can only be conceived in connection to the individual. It is of no use trying to measure a total utility or total value of some good:

There are in the sphere of values and valuations no arithmetical operations; there is no such thing as a calculation of values. The valuation of the total stock of two things can differ from the valuation of parts of these stocks. An isolated man owning seven cows and seven horses may value one horse higher than one cow and may, when faced with the alternative, prefer to give up one cow rather than one horse. But at the same time the same man, when faced with the alternative of choosing between his whole supply of horses and his whole supply of cows, may prefer to keep the cows and to give up the horses. The concepts of total utility and total value are meaningless if not applied to a situation in which people must choose between total supplies (Mises 1998: 122).

And any statistical measurement on an aggregate level would only amount to the establishment of a “unique and individual historical fact”. For instance, “[i]f a statistician determines that a rise of 10 per cent in the supply of potatoes in Atlantis at a definite time was followed by a fall of 8 per cent in the price, he does not establish anything about what happened or may happen with a change in the supply of potatoes in another country or at another time. He has not ‘measured’ the ‘elasticity of demand’ of potatoes” (Mises 1998: 55).⁸⁶

Thus, the value of a good that is scarce cannot be established according to any criteria that lie outside the acting individual (e.g. “objective” usefulness, or the amount of work required for the production). The only thing that mat-

⁸⁶ Cf. Rothbard (2009: 1292-1295) for his views about national product statistics.

ters is the marginal utility that an extra unit of the good in question gives to the agent. The *a priori* character of marginal utility is described by Mises in these words:

We call that employment of a unit of a homogeneous supply which a man makes if his supply is n units, but would not make if, other things being equal, his supply were only $n-1$ units, the least urgent employment or the marginal employment, and the utility derived from it marginal utility. In order to attain this knowledge we do not need any physiological or psychological experience, knowledge, or reasoning. It follows necessarily from our assumptions that people act (choose) and that in the first case acting man has n units of a homogeneous supply and in the second case $n-1$ units. Under these conditions no other result is thinkable. Our statement is formal and aprioristic and does not depend on any experience (Mises 1998: 124).

In other words, the value of a good is all about the marginal employment of it, that is, the subjective valuation of the specific employment that would be lost or gained if one were to give up or receive an additional unit of the good. An example from Rothbard:

Assume that a man has a supply of six (interchangeable) horses. They are engaged in fulfilling his wants. Suppose that he is now faced with the necessity of giving up one horse. It now follows that this smaller stock of means is not capable of rendering as much service to him as the larger supply. This stems from the very existence of the good as a means. Therefore, *the utility of X units of a good is always greater than the utility of $X - 1$ units*. Because of the impossibility of measurement, it is impossible to determine *by how much greater* one value is than the other. Now, the question arises: Which utility, which end, does the actor give up because he is deprived of one unit? Obviously, he gives up *the least urgent of the wants which the larger stock would have satisfied*. Thus, if the individual was using one horse for pleasure riding, and he considers this the least important of his wants that were fulfilled by the six horses, the loss of a horse will cause him to give up pleasure riding (Rothbard 2009: 25).

Furthermore, it is to be noted that time is also a scarce resource, so that we need to rank and assign value to different “uses” of it (and this is a difference between praxeology and logic). It is in the nature of action that it aims at a future state of things that is more satisfying than the present. Actually it seems to be in the nature of time itself that one must always economize it – even if there is abundance of everything else there is always scarcity of

time.⁸⁷ It is also very important for the Austrian to press the point that different people have different preferences when it comes to economizing time, that certain people prefer quick gratification before the more distant one, even if the satisfaction in the latter case would be greater (this explains the existence of interest on money). Given the same degree of satisfaction, however, Rothbard establishes as a “fundamental and constant truth about human nature [...] that *man prefers his end to be achieved in the shortest possible time*”. But this is, of course, under total *ceteris paribus* conditions. In other words, we can only say that everyone would prefer the same good sooner rather the later provided that we make sure that it is *exactly* the same good we are talking about. And here it is important to note that what a good is, is not determined by its apparent physical characteristics. As Rothbard says: “a common type of objection to the assertion of universal time preference is that, in the wintertime, a man will prefer the delivery of ice next summer (future) to delivery of ice in the present. This, however, confuses the concept ‘good’ with the material properties of a thing, whereas it actually refers to subjective satisfactions. Since ice-in-the-summer provides different (and greater) satisfactions than ice-in-the-winter, they are *not* the same, but *different* goods. In this case, it is different satisfactions that are being compared, despite the fact that the *physical* property of the thing may be the same” (Rothbard 2009: 15f). (In the same manner, two goods with exactly the same physical properties can yield very different satisfactions when consumed at different geographical locations.)

Connected to the concept of time is the concept of uncertainty. Since action is always aimed at a future state, there must always be a certain degree of uncertainty about the outcome. Actually, “[t]he uncertainty of the future” is “already implied in the very notion of action”, for if a person “knew the future, he would not have to choose and would not act. He would be like an automaton, reacting to stimuli without any will of his own” (Mises 1998: 105). The Austrian conception of time and uncertainty appears to be one of the major differences between (stereotypical) mainstream economics and that of the Austrians (which in turn should be relevant when it comes to pragmatical implications for ways of conceiving, for instance, political possibilities). Regarding the comparison between Austrian economics and the “neoclassical synthesis” (that is, a synthesis consisting of a macroeconomic framework based on Keynesianism and a microeconomic framework based on neoclassical economics) Steele (2007: 13) writes:

With both [Keynesianism and neoclassicism], the analysis is undertaken within the confines of a stationary economy; that is, one with no relevant

⁸⁷ Cf. Hoppe (1990: 9): “Even in the Garden of Eden I could not *simultaneously* eat an apple, smoke a cigarette, have a drink, climb a tree, read a book, build a house, play with my cat, drive a car, etc. I would have to make choices and could do things only sequentially”.

past and with a future which (in the absence of exogenous shocks to the system) is identical to the present. Situations are appraised and judgments are made upon the basis of an instantaneous view. At worst, a single snapshot is considered. At best, a series of snapshots are compared. Although not entirely without benefit, this method has many pitfalls. The insights which it offers are outnumbered by the fallacies created by ignoring features of dynamic change; for it is impossible for the static approach ever to focus upon ‘the ultimate goal of all economic analysis’, which is to discover, in a causal sense, ‘an explanation of the economic process as it proceeds through time’ [the concluding quotes are Hayek’s words].

When it comes to lack of knowledge and mistakes, it is easy to contrast the Austrian view with the neoclassical theoretical construct of perfect competition. This construct is useful, among other things, because it provides “a theoretical criterion for the classification of markets according to the intensity of competition” (Ioannides 1992: 31f). Now one of the assumptions of perfect competition is that every individual must have perfect knowledge of market conditions. This assumption, however, is strongly condemned by the Austrians. But there are some who claim that mainstream economics to some degree has been able to answer the Austrian criticism of perfect knowledge by viewing “information [...] as a commodity, in the context of a general equilibrium system”. This “economics of information” has nevertheless, in turn, been criticized by, among others, Kirzner, who pointed out that

“[a]ccording to neoclassical theory, agents decide to obtain a good because they know the satisfaction it will give them. But how can one know the satisfaction that will be obtained from a piece of information? This knowledge is possible, according to Kirzner [...], only if the information itself is known in advance. Thus, the real problem in market transactions is not how to obtain information already known to exist – even if one is unaware of its exact content – but how to obtain information, the existence of which one is entirely ignorant” (Ioannides 1992: 39).

Another fact that is relevant to the analysis of real economic processes is Mises’s underscoring of human cooperation and the division of labor. It follows from “the innate inequality of men with regard to their ability to perform various kinds of labor” and “the unequal distribution of the nature-given, nonhuman opportunities of production on the surface of the earth”. These are not logical truths, but seem empirically very plausible. Without these facts a division of labor would “not offer any advantages for acting man”. Besides, it can also be assumed that “there are undertakings whose accomplishment exceeds the forces of a single man and requires the joint effort of several” (Mises 1998: 157). The increase in productivity that the division of labor leads to Mises regards as obvious, once the above assump-

tions are warranted. He also refers to Ricardo's "law of comparative costs," which states that even if A's production abilities are superior to those of B in all respects, it is still profitable for both to trade goods and services with each other if A concentrates on the production at which she is best and lets B produce those things which A is comparably less good at (even though A could produce each separate good more efficient than B).

Now what separates (this brand) of Austrian economics from the neoclassical mainstream (regarding the latter mainly as it appeared during Mises's lifetime), is probably neither the value of a division of labor or the theory of marginal utility. The main difference is the way (in neoclassicism) of looking at the market as a state of equilibrium. According to the Austrians this disregards the important elements of time and uncertainty in economic analysis, which also results in the negligence of the role of *entrepreneurs*, i.e. persons who can "take advantage" of the fact that the world, which consists of acting men, is never "at rest". Writes Mises: "The term entrepreneur as used by catallactic theory means: acting man exclusively seen from the aspect of uncertainty inherent in every action" (Mises 1998: 254). Thus, it is the case that the category "entrepreneur" is a very broad one; most people can at different times be entrepreneurs in that they can attempt to gain something from the constantly shifting possibilities of the market (the less broad meaning of "entrepreneur" which denotes those who are active in traditional "capitalistic" activities, Mises would rather call "promoters" or the like). But to return to the concept of equilibrium, Mises writes that the "mathematical" economists

describe this imaginary equilibrium by sets of simultaneous differential equations. They fail to recognize that the state of affairs they are dealing with is a state in which there is no longer any action but only a succession of events provoked by a mystical prime mover. They devote all their efforts to describing, in mathematical symbols, various 'equilibria,' that is, states of rest and the absence of action. They deal with equilibrium as if it were a real entity and not a limiting notion, a mere mental tool. What they are doing is vain playing with mathematical symbols, a pastime not suited to convey any knowledge (Mises 1998: 251).

Furthermore, the Austrians (especially of the Misesian tradition) are very prone to draw a distinction between economics as a natural science and economics as a purely logical endeavor. For them, economics is not an empirical science. As Hoppe describes it, empiricist economics accepts two basic propositions: on the one hand that knowledge "regarding reality [...] must be verifiable or at least falsifiable by observational experience", which means that we can never know with certainty beforehand the consequences of certain actions; on the other hand that prediction of casual events consists in the formulation of statements like "if *A*, then *B*", or "if an increase (decrease) in

A, then an increase (decrease) in B ”, and these causal explanations are always hypothetical – they can never be conclusively verified (Hoppe 2007b: 28, 29). And this is the sort of “paradigm” that denies *a priori* knowledge that is at the same time knowledge about anything real. To cite Hoppe again:

Any proposition that claims to be *a priori* can, according to empiricism, be no more than signs on paper that are related to each other by definition or by arbitrary stipulation, and is thus completely void: it is without connection to the world of real things whatsoever. Such a system of signs only becomes an empirically meaningful theory once an empirical interpretation is given to its symbols. Yet as soon as such an interpretation is given to its symbols, the theory is no longer *a priori* true but rather becomes and remains forever hypothetical (Hoppe 2007b: 30).

All this supposedly means that the empirical economist must put his hypotheses in the form of predictions, and if the predictions are correct the causal hypothesis seems to have successfully evaded an attempt at falsification and thus survives as a hypothesis, at least for the time being.⁸⁸

Praxeology and Normative Political Theory

Let us now move on to consider Mises, Rothbard, and Hoppe and the political conclusions that might plausibly be drawn from their brand of economic theory. They all emphasize both that economics cannot make value judgments, but there is, however, some political recommendations one can make, based on the fact that praxeological “laws” are universally valid, which means that any attempt to base politics on assumptions that contradict those laws would be rather foolish. Hence there may be some implications relevant for politics regardless of the ethical stance one wishes to take. The strategy put forward by Mises is, of course, to establish what is a bad policy and what is a good policy (i.e. what are the best means) from the viewpoint of given pursued ends. As an *economist*, one does not make any judgment at all about the ends, it is not his job to “tell people what ends they should aim at. It [economics] is a science of the means to be applied for the attainment of ends chosen, not, to be sure, a science of the choosing of ends. Ultimate decisions, the valuations and the choosing of ends, are beyond the scope of any science. Science never tells a man how he should act; it merely shows how a

⁸⁸ I will not go into the Austrians’ attempts to refute empiricism (mostly in the form of logical positivism or the like) since my aim is not to be an arbiter in this matter, but to look at the normative implications of taking the Austrian view to be true. For some arguments against empiricism, see Hoppe 2007: 33-48.

man must act if he wants to attain definite ends". To assert that a policy is good or bad, from a "purely" economic perspective, thus seems to mean that one, so to speak, feeds the praxeological machine with facts about people's goals and gets out policy recommendations on the other side. Mises actually uses the term "liberalism" to describe this procedure. Liberalism "assumes that all men or at least the majority of people are intent upon attaining certain goals. It gives them information about the means suitable to the realization of their plans. The champions of liberal doctrines are fully aware of the fact that their teachings are valid only for people who are committed to these valuational principles" (Mises 1998: 10, 154).

And this is the point where one really should ask whether the *laissez-faire* policies that most of the Austrians recommend are the results of this "economic machine", or if they mostly are results of genuine normative thinking. In other words, what are the normative implications of a praxeological normative theory?

To begin with, it seems that praxeology cannot dismiss any action (or policy) that is *possible* to execute if the economist does not have any information about people's ends at all, no matter how absurd the policy in question may seem. Perhaps the Soviet policies in the 1930s were the best means to achieve the ends Stalin had in view. As *value-free* economists we cannot quarrel with that unless we, for instance, find (by praxeological reasoning) that Stalin could have achieved his personal goals by better means (keeping in mind that his "personal" goals apparently had very much to do with power, domination etc.). It is, however, the case that the praxeological conception of "preferences" is that we can only know what they are by seeing what people actually do. The action that someone chooses is by definition the one that she ranked highest at that particular time, otherwise she would not have done that particular action. So the fact that Stalin's policies in the 1930s actually appear to have been based on the actions he ranked the highest (given his information at the time), seems to suggest that those policies were the ones that maximized his preferences (and they may have done a good job satisfying the preferences of some of his followers too), thus being "praxeologically" optimal.

The Austrian economists do not, however, recommend policies like those that were common in the Soviet Union (I, at least, do not know of any Austrian economists who has approved of them). If Stalin had come to Mises and said: "what can you, *as an economist*, recommend me to do, given that my preferences are *a*, *b* and *c*? Of course I may have to kill, rob, torture, and the like, to achieve my goals, but you are, from what I have heard, a value-free economist, so we can leave those matters out of consideration. You just tell me what policy I should realize to achieve my goals." In his writings Mises does not, however, recommend anything like Stalin's policies. This is because his political philosophy is not based on economics alone. There *are* in fact values involved. The obvious retort to Stalin's query

would be something like: “Yes, you have those preferences, and a policy of terror and large scale economic planning may be the best way of achieving them. But you are just one person; there are millions of persons in the Soviet Union who have other preferences than you. Many of them want more consumer products, which your economic planning cannot provide; they want freedom of expression etc. If we take all of the preferences of the Soviet citizens into account it does not seem likely that your proposed means are the best ones to achieve all those separate goals”. The “problem” is that Mises, at this, point, is no longer an economist. He has inserted a value, which amounts to something like that best policy is the one that satisfies the preferences of the majority of the people. There is, however, nothing in his praxeology that hints to a value like that, nor are there any *assumptions* made on these lines (because by assuming certain *contingent* preferences we have left the territory of *a priori* truths about human action in general). For the Austrians it is clear that economics is one thing and ethics is another thing.

Therefore I find it problematic to assert, like Gloria-Palermo & Palermo (2005: 76) do, that “both neoclassical and Austrian economics rest on value judgments, not least because the principles that remuneration should depend on performance and that the individual is the best judge of his own wellbeing are themselves value judgments”. My reading of the Austrians does not support either of these claims (although the second one may be true in a very qualified way). When it comes to Mises’s praxeology it seems safe to say that the principle that “remuneration should depend on performance” does not make up a part of either the foundational praxeological theory or the more practical economic analysis. And since this principle is not an “organic” part of praxeological economics, policies that do in fact contain it cannot be said to be (pragmatically) implied by a theoretical assumption of that kind.

What about the Austrians’ rejection of mathematical methods, statistical correlations and the like? Do these fundamental epistemological stances have any normative implications? Ioannides (1992) makes a big case for the normativity of Austrian economics based on this rejection of “objective” knowledge about the economy. He claims that a rejection of a substantive (or, indeed, any) role of the state in the economy follows from the Austrian claim that “the state can never objectively perceive the functioning of the market system” (ibid.: 8).⁸⁹ I think, however, that Ioannides to some extent has overstated this rejection of “objective” knowledge of the economy. It does not seem that the Austrians reject the possibility of knowledge about, for instance, the fact that x dollars spent on the military will provide y new troops, or that z dollars spent on shelters for the homeless will provide w beds. In these cases, it seems undeniable that an Austrian must admit that these actions by the state provide *some* benefits for *some* people, so if they

⁸⁹ See also Ioannides 1992: ch. 6.

should be realized or not depends on our normative deliberations about the value of these benefits. What the Austrian *would* reject, however, is that we could, on the basis of these expenditures and by means of equations, establish correlations between these government measures and other parts of the economy or between the economy as a whole. It is, thus, improbable that an Austrian would claim that we might view these measures as beneficial for the economy as a whole, increasing people's "propensity to consume" or the like. But Austrian economics itself cannot really *a priori* reject the idea that these measures should be taken if the reasons for them are, for example, that major military threats are perceived or that the citizens' moral sensibilities demand that homeless people should be helped as soon as possible.

Anyway, there actually seems to be some policies that can be excluded if one applies praxeological economics in strict way (that is, by not assuming any value principles at all, be it majoritarian preferentialism, non-aggression, remuneration by performance etc.). In other words, if there are some policies that *simply cannot* achieve the goals that are assumed (no matter if it is the goals of one dictator or a democratic majority), then a catallactic analysis seems to be able to make a judgment on them. The premier example of this (and apparently the only foolproof example – assuming that praxeological reason is valid) is the rejection of a planned economy.

Mises's argument against the planned economy goes like this: according to him, a market cannot function as a "technological" system that calculates inputs and outputs in order to achieve specific projects. It is simply not enough to decide (or "plan") to do something, for

the practical man, eager to improve human conditions by removing uneasiness as far as possible, must know whether, under given conditions, what he is planning is the best method, or even a method, to make people less uneasy. He must know whether what he wants to achieve will be an improvement when compared with the present state of affairs and with the advantages to be expected from the execution of other technically realizable projects which cannot be put into execution if the project he has in mind absorbs the available means. *Such comparisons can only be made by the use of money prices* (Mises 1998: 209).

Such prices only exist in a "market society", whereas it is "a fictitious assumption that an isolated self-sufficient individual or the general manager of a socialist system, i.e., a system in which there is no market for means of production, could calculate. There is no way which could lead one from the money computation of a market economy to any kind of computation in a nonmarket system". Important to emphasize here is Mises's later assertion that "[i]n declaring that it is not the business of the government to determine prices we do not step beyond the borders of logical thinking. A government

can no more determine prices than a goose can lay hen's eggs" (Mises 1998: 206, 394, emphasis added).

Thus, the emphasis Mises puts on monetary calculations in a well-ordered society cannot be underestimated. In fact, he ventures to say that "[o]ur civilization is inseparably linked with our methods of economic calculation. It would perish if we were to abandon this most precious intellectual tool of acting". Evidently it is because of the lack of these possibilities of price calculation that socialism *cannot* work.⁹⁰ But what does Mises mean by "socialism" exactly? "Nothing", he says, "that is *in any way* connected with the operation of a market is in the praxeological or economic sense to be called socialism". And he goes on to say that "the notion of socialism as conceived and defined by all socialists implies the absence of a market for factors of production and of prices of such factors". Thus, socialism in Mises's sense is a system *totally separated* from a private market of factors of production. And he does not even call the Soviet Union socialistic in that sense, because "[g]overnment-operated enterprises and the Russian Soviet economy are, by the mere fact that they buy and sell on markets, connected with the capitalist system. They themselves bear witness to this connection by calculating in terms of money. They thus utilize the intellectual methods of the capitalist system that they fanatically condemn". (Mises's usage of the term "socialism" usually follows this pattern, but one should remark that he is not altogether consistent. In one place in *Human Action*, for instance, he calls Great Britain and other unnamed western European countries socialist⁹¹) (Mises 1998: 231, 260, emphasis added).

It seems, then, that there is actually one answer that an Austrian economist (*qua* economist) can give to Stalin: "Yes, you may be able to satisfy your preferences by deportations, propaganda, torture, and so on, but you cannot achieve them by controlling *all* the prices through the state, because that is simply impossible – at least if you are unwilling to tolerate black markets." The conclusion of the foregoing discussion seems to be that there is one system that praxeological thinking actually can rule out without knowing the actual preferences of those who want to realize that system, since that system is both practically and logically impossible to maintain: a totally planned economy, wholly separated from all capitalist markets (where the "state" makes all the decisions about how the factors of production should be utilized). Any other policy (that does not contradict the laws of physics and the like) does not seem to be out of bounds *a priori* without the addition of further arguments that go beyond, *and are easily separated from*, praxeology. All this means that Boettke (2010: xiv) may be correct when he claims that one of the characteristic "propositions" of Austrian economics is that private property is a necessary condition for rational economic calculation. We can-

⁹⁰ Cf. Mises 1998: 672, 675 f, 693-697.

⁹¹ Mises 1998: 855 f.

not, however, draw any conclusions about *how much* private property there needs to be. Recall that Mises's claim that socialism cannot function hinges on a definition of socialism as a state of affairs where there is no market and no private property at all. Whenever there is some window of opportunity to trade with the capitalist world we are no longer talking about pure socialism; and it is pure socialism that Mises rules out as impossible. Interventionist quasi-socialistic systems cannot be ruled out on *praxeological* grounds (at least not until we know the actual goals of everyone involved in the economy).

Interestingly, Austrians after Mises – as I hinted at in the introduction – have emphasized the value-freedom (*Wertfreiheit*) of economics. Reading Rothbard, however, one could make the mistake of drawing a straight line between his economic and his political and ethical outlook. Although he says that “[p]raxeology cannot, by itself, pass ethical judgment or make policy decisions”, he nevertheless immediately goes on to say that

Praxeology, through its *Wertfrei* laws, informs us that the workings of the voluntary principle and of the free market lead inexorably to freedom, prosperity, harmony, efficiency, and order; while coercion and government intervention lead inexorably to hegemony, conflict, exploitation of man by man, inefficiency, poverty, and chaos. At this point, praxeology retires from the scene; and it is up to the citizen – the ethicist – to choose his political course according to the values that he holds dear (Rothbard 2009: 1025).

It seems that although praxeology is value free its application still leads to only two choices: “the free market” or “inefficiency, and chaos”.

The problem for Rothbard, though, is that there is nothing in the *economical* part of his magnum opus *Man, Economy, and State* that seems to lead to this stark dichotomy. On the face of it, the argument that he relies most heavily on when it comes to analyzing different economic systems as an economist is to what degree people's preferences are satisfied, or how much “utility” they get. Now, it is important to distinguish what he means by utility. Basically he asserts that the actions people actually do are the ones that give people the most satisfaction (or “utility,” which is unmeasurable in a cardinal way, and cannot be compared between persons), because if some other action were executed then that one would have been the highest ranked instead. In a “free society” people are able to rank their actions without coercion, which means that “utility” is maximized, in the sense of realizing everyone's *uncoerced* preferences. In a society that is not “free,” for instance an interventionist system, some people are forced to reorder their rankings. We might imagine two persons *A* and *B* interacting with each other. In the free society *A* might sell his labor to *B* for a very modest pay and since that is what he *actually* (presumably) does, it follows that this must have been *A*'s

highest ranked action, i.e. the one that maximizes his utility. Likewise, to employ *A* is *B*'s highest ranked action, otherwise she would have done something else at that point in time.

Compare this to another type of interaction in an interventionist society. Since *A* is quite poor the state forces *B* to give up some of her money to *A* without any service in return (we can assume that *B* is part of a democratic minority who has not agreed to this tax). In this case it actually seems that *B*'s utility is also maximized: since she concedes to paying the tax this must have been the most highly ranked action. If the threat of punishment were not there she might have made another ranking of actions, but the threat *is* there, just like other circumstances that affect *B*'s rankings (she may be blind, so she cannot put watching stars on the night sky on her rankings list either). Even in a free society there may be a lot of things that stop people from doing a lot of things (they may just be poor). And if we read Rothbard carefully, he actually says that we should not take *hypothetical* utility into account (see Rothbard 2009: 1068 f). I might *imagine* rankings where I was not blind and I might imagine rankings where there was no threat of punishment, but that is not relevant. What we must analyze is people's *actual* actions under given circumstances (Rothbard calls this a theory about "demonstrated" preference, to distinguish it from Samuelson's "revealed" preference, which assumes an underlying constancy in preferences). If we want to say that some special circumstance (for example a threat of physical harm) makes a ranking "invalid," or "unfree," we need to make a normative judgment about that circumstance, one that economics cannot provide. All that Rothbard's praxeological reasoning tells us is that our rankings can be affected by other persons in different ways, even by violent threats. That those threats are immoral the praxeologist cannot say (and "pure" praxeology does in fact neither say nor assume it). In fact, without Rothbard's proviso that coercion is immoral there is not much he can say at all about which economic system is preferable (although he would certainly agree with Mises that a totally planned economy is simply impossible to achieve). But fortunately, the moral proviso is easily distinguished from praxeology itself.

And since we know that Austrian economics is not built on certain models that assume any special type of behavior in human beings, and since we cannot "measure" the performance of any particular society on an aggregate level, there seems to be a lot of political options open to us to choose from, so long as we know that there are some people whose preferences would be satisfied by the system in question. If we "weed out" the ethical statements from such thinkers as Mises, Rothbard, and Hoppe and let the economic theory speak for itself we do not have much to go by when it comes to choosing a political system. And – to return to the comparison between Austrian economics and the Chicago school – it does not seem implausible to agree somewhat with Vaughn when she says that "where the Chicago school's laissez-faire conclusions follow directly from assumptions about

choice, equilibrium, and economic order (and more recently, rational expectations), it is not so clear that the same is true of Mises' similar conclusions" (Vaughn 1998: 90f).

The Economics of Hayek

What is interesting about F. A. Hayek is that he relatively early turned away from economic theory to develop a broader vision about market, society, politics and "civilization" (and it is also the case that he never actually described his economic methods in one single work, like Mises did with *Human Action* and Rothbard with *Man, Economy, and State*⁹²). Nevertheless, he is often revered as an economist, and he got the Nobel Memorial Prize for his early achievements in the traditional field of economics. For those who value Hayek as a political thinker, more discussion will be offered in a later chapter. In this section I will try – as I did in the previous one with regard to Mises, Rothbard, and Hoppe – to regard him as an *economic* theorist (limiting myself, however, to those aspects that I find most essential to the present discussion) and see what normative implications that might be possible if we take his view on the nature of economic science.

There are, of course, similarities between Hayek and the writers discussed in the previous sections; otherwise, it would be misleading to describe them all as Austrian School economists. But there are also differences. Some people have, for example, noticed a difference of emphasis when it comes to Hayek and Mises. For instance, Hayek – according to G. R. Steele – "believes that Mises over-stresses the purely *a priori* character of theory". And Steele describes Hayek's economic view as straddling two scientific methodologies, in that "[b]oth the relevance of deductive reasoning and that of empirical verification are emphasized". He believes that the "use of purely logical deductions must be accompanied by an understanding of the socio-economic structure that supports causal sequences of human interaction" (Steele 2007: 17, 90 f). Another major difference is the view regarding the role of Popperian falsification, which is an approach that the Misesian Austrians reject, while Hayek was more positive to it. There may still, however, be room for debate about the differences between Hayek and Mises, which can be seen in an essay by T. Hutchison, who claims that the differences between them was bigger than it may appear, because of Hayek's reluctance

⁹² Furthermore, it seems that the early Hayek and the late Hayek had different views on economic method. A crucial point in time was his presumed adherence to the theories of Karl Popper (Hutchison 1994, ch. 10). There are, however, different views as to exactly *how* Popper influenced Hayek (see Gray 1998, ch. 1).

to break with his mentor in a too disrespectful manner (Hutchison 1994, ch. 10).

But the similarities between Hayek and Mises (and his followers) are also striking. Even though Hayek does not appear to be as “aprioristic” as Mises, he still regards “introspection” as an important part in economic reasoning, and he believes that there are some basic elements of the human “mind” that are common to and can be grasped by us all.⁹³ And just like Mises, he rejects the use of statistics and elaborate mathematical formulas as a valid method for economics, just as they agree that economics should not be conceived along the lines of a natural science. According to Hayek, the natural sciences focus on “simple” phenomena, whereas biological and social sciences focus on “complex” ones. In this context, simplicity and complexity has to do with “the minimum number of distinct variables a formula or model must possess in order to reproduce the characteristic patterns or structures of different fields” (Hayek, quoted in Steele 2007: 80). And a consequence of this is that “[t]he concept of scientific law that is valid for simple phenomena – that is, a definite rule that links events as cause and effect – is rarely applicable to complex phenomena” (ibid.). This makes it extremely hard to, for instance, make predictions in the social sciences, even if one can make some predictions about general patterns (one might, for example, be able to exclude certain eventualities).⁹⁴ For economics, this has the consequence that one must not base “predictions upon ‘pseudo-entities’ of the kind that comprise Keynesian *macroeconomics* or the quantity theory of money” (ibid., p. 81).

This might, by the way, be contrasted with Milton Friedman’s extreme focus on economics as the development of models (which may very well be based on “unrealistic” assumptions) that can predict future events. (Such a philosophy of science is called *instrumentalism*, and Austrian economic can probably be described as the least instrumentalist view in social science.) Prediction based on models is a macro-perspective on economics (which is characteristic of neoclassical economics), whereas Hayek and the other Austrians want to build economics on a micro-perspective. The important thing when it comes to understanding the economy is the subjective valuations of individuals – not statistical aggregates or “pseudo-entities”.

The allegedly wrongheaded aim of the social scientists to imitate the natural sciences, Hayek has called “scientism,” which he describes on the one hand as a sort of behavioristic focus on nothing but *observable* causes, and on the other hand as a desire to regard certain processes, like “the economy”

⁹³ On the common traits of the human mind, see for instance Hayek 1943: 61-63.

⁹⁴ “While we can explain the principle on which certain phenomena are produced and can from this knowledge exclude the possibility of certain results, e.g. of certain events occurring together, our knowledge will in a sense be only negative, i.e. it will merely enable us to preclude certain results but not enable us to narrow the range of possibilities sufficiently so that only one remains” (Hayek 1942: 290).

or “the legal system” as a whole (the application of this to historical processes becomes “historicism”⁹⁵). An illustration of scientism in economics would presumably be a Keynesian explanation of unemployment, establishing “robust relationships between aggregate investment, total income and the level of saving” in order to explain unemployment as an effect of “deficient aggregate demand”. Regarding such statistical aggregates, Hayek says that “[n]obody would probably seriously contend that statistics can elucidate even the comparatively not very complex structures of organic molecules, and few would argue that it can help us to explain the functioning of organisms. Yet, when it comes to accounting for the functioning of social structures, that belief is widely held” (Steele 2007: 87, 92).⁹⁶

There seems, however, to be a place for the concept of “equilibrium” in Hayek’s economics, which separates him to some degree from the Misesian tradition. Although he does not use the concept in the same way as in neoclassical economics, he nevertheless believes that the economy can be assumed to have “a prevailing tendency to move toward equilibrium”. Supposedly, one needs this assumption in order to make economics an empirical science, rather than “an exercise in pure logic”. What separates Hayek from the neoclassical tradition is, in the words of Steele, that while “[t]he comprehensive mathematical analysis provided by Léon Walras [...] addresses multi-commodity production and exchange under the neoclassical assumptions of perfect competition (which include perfect knowledge, instant price flexibility and zero transactions costs),” the Hayekian perspective leaves no room for “the *static* framework of perfect knowledge and fixed resource constraints”. In the latter “dynamic” view of the equilibrium, much more emphasis must be placed on things like time, ignorance, and uncertainty. And this view seems to be applicable only to individuals, where a “collective equilibrium” can be reached when many separate individual plans are on the one hand “based upon common expectations of external circumstances”, and on the other hand “fully adjusted to one another”. This is a view of equilibrium that tries to roughly predict future events by looking at the way individual plans and expectations fits with each other, rather than looking at the economy as a statistical aggregate (Steele 2007: 93-95).

Another thing distinguishing Hayek from Mises *et consortes* is his emphasis on tacit knowledge and the spontaneous order. To Hayek, most of our knowledge is of a kind that cannot be articulated. In other words, people may be able to act according to principles and rules that they may not be able to formulate through the use of language. These kinds of “rules” that people follow are transferred from previous generations: “Bound by the discipline of those rules, and despite personal ignorance, man is guided by his cultural inheritance, the importance of which cannot be exaggerated. It is that inher-

⁹⁵ See Hayek 1943: 50-63 (in which he calls it “historism”).

⁹⁶ Cf. Hayek 1943: 39-41.

itance which provides the basis for justice and social cohesion”. Furthermore, Hayek regards those inherited rules and practices in a sort of evolutionary framework, claiming that “[s]uccessful practices survive through imitative learning and, at their highest level, they become enshrined in the law” (Steele 2007: 43, 202).

If we combine Hayek’s views on macroeconomics (statistical aggregates and the like) and his views on the limits of human “rationalism,” it seems that we can draw some probable conclusions about politics. If we take these premises as given it seems that there are severe limits to what the politician can do while trying to “manage” the economy. Trying to manage the economy on Keynesian lines (or monetarist lines, for that matter) amounts to what Hayek calls “constructivist rationalism,” and its worst expression seems to be the illusion that government can enhance its control over the monetary and credit systems (regarding money as a statistical aggregate alongside saving, investment, exports etc.) without causing big problems (such as the great depression in the 1930s) (Steele 2007: 192-195).⁹⁷ For example, he writes in the early work *Prices and Production* that “it should be fairly clear that the granting of credit to consumers, which has recently been so strongly advocated as a cure for depression, would in fact have quite the contrary effect; a relative increase of the demand for consumers’ goods could only make matters worse.” To Hayek, it was the case that “[i]f the proportion [between the demand for consumers’ goods and the demand for producers’ goods] as determined by the voluntary decisions of individuals is distorted by the creation of artificial demand, it must mean that part of the available resources is again led into a wrong direction and a definite and lasting adjustment is again postponed” (Hayek 1935: 97, 98).

The problem, though, seems to be that there are not many policies that Hayek regards as impossible (short of complete socialist planning, which his view of the limitation of human knowledge precludes). *In fact, most of Hayek’s writings on economic policy is incomprehensible without an understanding of his normative theories about the value of “freedom,” private property, and the like.* And it seems that even leftist politicians might make good use of some of Hayek’s remarks about the dangers of trying to manage, for instance, monetary flows. Most of his criticism against policies of economic redistribution (all of which he does not condemn) is directed at inflation as a means of reaching those goals; so if relatively extensive welfare policies seem to be very much possible to realize without resorting to monetary tampering (we might, for instance, assume the gold standard of money),

⁹⁷ “In a nutshell, it [Hayek’s cycle theory] states that all disturbances, both of a monetary and a real origin, are amplified by the monetary system. This causes the system of intertemporal money prices to change in such a way that it no longer truthfully reflects relative scarcities. Because individual decision-makers react to the only prices they can perceive, namely money prices, they take the wrong decisions” (Birner 1994: 3).

then we need to accept not only his economic theory, but also his ethical views in order to become full-blown Hayekian *liberals*. In other words, the economic theory does not seem to imply any *particular* form of politics, either logically nor pragmatically, even though it may be possible to claim that a certain aspect of Hayek's thinking makes it more "usable" for some particular political aims. There may in fact be more continuity between Hayek's economics and his political thought than that which is found in some other Austrians. As Birner (1994: 7f) puts it: "Hayek's transition from his economic RP [research program] to the field of social and political philosophy is the result of the application of the same methodological principles that defined his economic RP to different problems or rather to a problem situation that arose out of a generalization of the economic problem that defined the second branch of the economic RP, the problem of co-ordination."

So, even if there may be some pragmatical normative implications to be drawn from Hayek's economic theory, this observation may actually be somewhat in line with my proposition that Austrian economics can be viewed as relatively "empty" when it comes to such implications. And this is because it does not seem altogether impossible to view Hayek as a slightly "un-Austrian" Austrian, if we regard people like Mises as espousing a more "pure" version of Austrian economics.⁹⁸

Rothbard's critique of Hayek's emphasis on the spontaneous order is significant in this context, and it underlines some differences between Hayekian and Misesian economics. According to Rothbard, Hayek's emphasis on *unintended* consequences of actions (that are the building blocks of the spontaneous order) trivializes *conscious* human action, and seems to remove the possibility of establishing an order by *intentional* action by many people in concert, for instance, by people who adhere to *laissez-faire* intellectually and seek to bring it about. An inherent conservatism is thus enshrined in the concept of the spontaneous order – a "conservatism that justifies all institutions as 'evolved,' as part of some presumably beneficent pattern, even though God has now dropped out of the picture" (Rothbard 2011: 200).

The most ambitious attempt to draw a straight line between the epistemological problems in Hayek's economics and political conclusions has been done by Tebble (2010). The fact that Hayek emphasizes the limits of knowledge and the difficulty of political constructivism makes it unlikely that a similar book could be written on Mises's political thought. But in the end, Tebble can only complete the argument about the political implications of Hayek's economics by flatly disregarding some aspects of his explicitly normative reasoning (see further ch. VII).

⁹⁸ People who think that Hayek is the more "pure" Austrian may of course reverse the terminology to keep my argument intact.

But even if we regard Hayek's economics as implying slightly more in the way of political recipes, especially in the light of his "conservatism",⁹⁹ he is still notoriously vague about where the line should be drawn between too much and too little political planning. After all, he is usually not defending a night watchman state (which becomes evident in *The Constitution of Liberty* as well as other works); so we still need (normative) guidance in making those kinds of pragmatic decisions that, for instance, a modern welfare state (whether it is an extensive Scandinavian one or a more modest Anglo-Saxon one) always necessitate.¹⁰⁰ The main thing – because of the lack of knowledge that specific individuals can have – for Hayek seems to be that politics is guided by general (long-term) rules or principles rather than by "rationalistic" decrees (Hayek 1958: 16-22).¹⁰¹ And if that is seen as the main implication of his economic theory/philosophy, one may have to ask "just how rigorous and effective a constraint this standard is likely to be in practice". If the generality clause is interpreted too literally it seems to make virtually all legislation impossible, but on the other hand, if it is interpreted as prohibiting "the passage of laws intended to target, either for sanction or reward, classes or individuals whose identity is known in advance to those authorizing the laws", then "the Hayekian rule-of-law seems to be too permissive to satisfy Hayek's own demand for governmental restraint" (Williams 2005: 36). So, in the end, if it turns out to be the case that Hayek actually has *other criteria* than the formal rule-of-law criterion we may be forced to venture out into "pure" ethics, because by that point, it gets increasingly hard to claim that we are talking about pragmatic implications of an *economic* outlook.

Furthermore, I believe that the fact that Hayek sets great limits on what economics can achieve as a science makes it somewhat implausible that a Hayekian *economist* can speak with "authority" – at least when it comes to saying *what* to do (in saying what *not* to do there may be somewhat more leeway) – in the political arena without adding the normative components regarding freedom, coercion, and the like. Indeed, the critique of economics (alone) as a panacea for political problems seems to be one of the main themes throughout Hayek's career. And even if it is true that most of his

⁹⁹ Hayek had great admiration for, among others, David Hume, Edmund Burke, and Alexis de Tocqueville; see Hayek 1958, ch. 1.

¹⁰⁰ And according to some, neither Hayek's economics, *nor his ethical standpoints*, provide this needed guidance. J. Williams makes a comparison with Rawls, stating that the two thinkers are similar in that "neither lives up to his reputation as a stalwart advocate for his respective position on the legitimacy of the modern welfare state. Despite the uncompromising rhetoric adopted by each, neither ends up taking a firm stand on the specific question of where to draw the line between public power and private rights; indeed, both provide visions of the liberal ideal that are striking in their vagueness" (Williams 2005: 20).

¹⁰¹ "In effect, Hayek says that government may do whatever it wishes so long as it does not violate the formal requirements of the rule of law" (Williams 2005: 34).

critique was directed at economists (and social scientists) who drew socialistic (or different types of “collectivist”) conclusions from their “scientific” framework, one could also say that most Austrian economists criticize their liberal brethren too, because they reach classic liberal conclusions for the wrong reasons. In the case of Hayek, he is most anxious to criticize economics as “social engineering” (e.g., see Hayek 1944), but the problem is that he is mostly “proving” the impossibility of all out planning in the economic sphere, while failing to provide really good criteria as to how much planning that *is* possible, given a more limited state (than a socialist one). I would certainly dispute Gray’s (1998: x) claim that with the help of Hayek’s views on economics and epistemology it can be proven that “many important social doctrines – those of socialism *and* interventionist liberalism, for example, – make *impossible* demands upon our knowledge” (emphasis added).¹⁰² Again, we need normative criteria to bear the lion’s share of the load.

Anyway, it is not necessary to dwell much on this issue in the present study, because a quick view of the contemporary Hayek scholarship makes it obvious that his thought is capable of inspiring people who are not sharing his political views. This does not seem to be the case when it comes to thinkers like Mises and Rothbard, and that is why I dwelled a little longer on that tradition, in the hope of showing that it too may be of interest to other people than *laissez-faire* liberals or anarcho-capitalists (and that the Misesian tradition may, in fact, be *more* interesting, due to the fact that the normative claims are more easily separated out from the economical ones).¹⁰³

Some Conclusions and Remarks

In the previous sections, I have tried to highlight some main characteristics of the economic theories of Mises and his followers, and of Hayek. The purpose of the exposition has been to come to grips with what normative political implications one might derive from this kind of economics. As I wrote in chapter III, there are some dimensions of economic theorizing that are of particular interest in this kind of discussion. I think the most important points

¹⁰² It should, however, be mentioned that Gray (in the postscript of a later edition of his initially very positive book on Hayek) changed his mind on the possibility of using Hayek to combat different forms of interventionism (see Gray 1998: 141f).

¹⁰³ In this context it might be interesting to cite Hutchison (1981: 208), who in 1981 thought that the methodological views of Mises “may be in for something of a revival” in “some Marxist quarters”. Alas, he does not provide any further references. Perhaps Hutchison is speaking about Martin Hollis and Edward Nell, who endorse rationalism and synthetic *a priori* truths, while repudiating both induction and the assumptions of neoclassical economics. This sounds a lot like Austrian economics. Hollis and Nell, however, seem to attempt a synthesis of aprioristic economics and Marxist thought (Blaug 1992: 107f)

are, on the one hand, assumptions about human behavior, and on the other hand, the role of theoretical (and simplifying) models. I hope I have shown – at least tentatively – that the Austrian economists examined here do not rely on either assumptions about a *homo oeconomicus* or on simplifying models of how the economy works (thus, they seem to “score low” on those types of implicit normativity). On the face of it, Austrian economics seems equipped to handle a wider variety of situations, in that it attempts to be a theory about human behavior *in general, always* valid and applicable: “To be sure, the praxeological perspective embraces a range of human action far wider than that usually treated in economic theory. All human actions, motivated though they may be by the entire range of the purposes that have inspired and fired men to act, come within the sway of the ideal praxeological discipline” (Kirzner 1976: 181f). But this, I would suggest, makes it “empty,” normatively speaking.

As I have previously pointed out, I have not aimed at a systematic comparison between neoclassical (mainstream) economics and Austrian economics. When it comes to the former approach I can only refer to analyses of it with which I sometimes agree (see mainly above, ch. III). And if it is the case that neoclassical economics (as well as, e.g., Marxian economics) has some normative implications due to its assumptions and chosen methods, I think that Austrian economics escapes this normative trap. In the case of neoclassical economics, one *could* claim that “the laws of supply and demand often correspond to the actual behavior of agents. But such general propositions are really nothing more than sociological observations. Neoclassical economic theory would obviously be absorbable into taxonomic sociology were it to be restricted to generalizations about human social behavior. But neoclassical theory seeks to transcend sociological fact by fashioning its claims into a predictive and explanatory structure”. And, – to continue this interesting quote by Keita – “[i]n order to achieve this it was necessary for the theorists of neoclassical economics to invent in heuristic fashion the postulate of rationality. But such a postulate must indeed be normative or it would not have been required in the first place. This is necessary because sociological analysis would only partially satisfy the requirements for scientific status” (Keita 1997: 97f).

Furthermore, there is the matter of “choosing” to quantify reality, as is so prevalent in much of modern economics. This way of, so to speak, forcing our perception of social reality into a certain mold in order to be more “scientific”, can lead to the disregarding of some aspects of human behavior, which – if, e.g., political recommendations are based on the measurements in question – might indeed have some normative implications. The Austrians, on the other hand, avoid this by being wary of the kinds of aggregate measures used by mainstream economists, such as Gross Domestic Product. And I believe that focusing on a particular “part of reality” because it hap-

pens to be measurable plays an important role when it comes to identifying pragmatic implications.¹⁰⁴

But to avoid this “scientification” of economics through the postulate of rationality and rationality-based models (and the quantification of reality), one could make another choice, namely to eschew the concept of a “thick” theory of rationality, like the Austrians do. As an economic theory it can manage to escape some of the normative implications that seem to be built into neoclassical economics. On the one hand, this makes it easier for the reader to distinguish ethical postulates from economic theory. But on the other hand, it makes it more important for the economist to develop (and to defend) those separate ethical views in order to arrive at policy implications. In the case of the Misesian tradition (here represented by Mises, Rothbard, and Hoppe), it is relatively easy to sort out the normative from the positive. In the case of Hayek it is a bit more tricky, but it is still easier than in neoclassical theory. And once we have separated out the explicit norms from the implicit, it should become clear that Austrian economics could be used by people with sharply differing ideological views – something that is facilitated by the fact that Austrian economics, so to speak, scores high on the explicit normative dimension but low on the implicit dimension (an economic approach that is based on the opposite would require much more careful scrutiny with regard to the ideological outlook that it facilitates).

This last point could be illustrated with some observations about the development of Austrian economics prior to World War II. As I described in chapter II, the general view of the Austrian school during the second half of the 1900s, and especially the decades after the revival in the 1970s, has been shaped particularly by Mises and Hayek. But there was a time when it was not as certain what kinds of political implications an Austrian outlook would entail.¹⁰⁵ Take the case of Friedrich von Wieser, one of the most important figures in the second generation of Austrians. His *Social Economics* might be described as a social liberal treatise, going against the grain of the often

¹⁰⁴ Cf. Hayek (1974): “The correlation between aggregate demand and total employment, for instance, may only be approximate, but as it is the *only* one on which we have quantitative data, it is accepted as the only causal connection that counts. On this standard there may thus well exist better ‘scientific’ evidence for a false theory, which will be accepted because it is more ‘scientific’, than for a valid explanation, which is rejected because there is no sufficient quantitative evidence for it.” And further down: “It has, of course, to be readily admitted that the kind of theory which I regard as the true explanation of unemployment is a theory of somewhat limited content because it allows us to make only very general predictions of the *kind* of events which we must expect in a given situation. But the effects on policy of the more ambitious constructions have not been very fortunate and I confess that I prefer true but imperfect knowledge, even if it leaves much indetermined and unpredictable, to a pretence of exact knowledge that is likely to be false.”

¹⁰⁵ On this point, see also Boettke 1995: 35-37; Kirzner 2001: 48-50; Myrdal 1972: 174; Beaud & Dostaler 2005: 32.

quite extreme *laissez-faire*-liberalism propounded by most of the latter-day Austrians.¹⁰⁶

Wieser starts from the same theoretical premises as Menger. For both of them, the goal of economic theory is to discover general *a priori* “laws” of action, from which conclusions can be drawn about the functioning of the wider economy. And both of them regard economic value as being connected to individuals’ satisfactions of their needs. But to Wieser, this highly important view of *marginal utility* is only valid in a “simple economy.” He writes: “the theory of the simple economy only explains the condition of the isolated and idealized individual economy that follows its laws of motion without restraint. But in the social economy these individual units meet from all directions. Indeed, they clash with great force. We must, therefore, ascertain whether their conjunction does not alter their law of motion and whether in particular the amount of power does not exercise a decisive control” (Wieser 1927: 151). So on Wieser’s view *social* economics is not the same as *pure* economics. In a modern society, an updated economic theory must be coupled with “a social theory that is consistent with the fact of power.” For instance, he notes that the fact that the poorer classes have nothing to live by than their daily labor power may need some sort of trade unions to compel “the entrepreneurs to agree to the price, that would be established by an effective competition of demand.” He does, on the other hand, say that unions may turn into “weapon[s] of social conflict” that bring “chaos out of order and plunges the market into danger.” But the correct role of the unions is an empirical and pragmatological matter, and not something that can be established *a priori*. One can also note that Wieser uses the Austrian theory of value to defend progressive taxes: “The ultimate basis for any progressive rate of taxation is to be found in the general scale of desires. According to this basis the personal value of the money unit is appreciably higher for the first thousand than for the second and is hardly to be compared with the appraisal in the case of the 99th or 100th thousand” (Wieser 1927: 154, 378, 379f, 433).¹⁰⁷

¹⁰⁶ Cf. Hutchison (1981:207): “[I]t may be noted that the political tendency which Wieser represented [...] lay in a very different direction from that taken up so vigorously by many subsequent Austrians. For, rightly or wrongly, Wieser was highly critical of free-market capitalism, attached great importance to the growth of monopoly, and was highly sympathetic to social democratic and reformist ideals – in complete contrast with his classical and methodological predecessors, J. B. Say, Senior and Cairnes, and even more so with regard to some of his Austrian followers.”

¹⁰⁷ The utilitarian philosopher Richard Brandt has based his defense of redistributive politics on similar principles: “With the advent of a money economy that permits saving, a person will normally give priority in purchases to the things she wants most [...]. So the things to the purchase of which she will assign priority [...] will be those of most benefit (as she thinks) to her projects, which means that the items with lower priority will, as she thinks, have less benefit to her. So, the more income a person has, the larger proportion she will, over the long term, spend on less preferred items. This means that she gets less benefit, relatively, from

Thus, it appears that we can establish Austrian economics as a rather “open-ended” theory, both by analytical readings (as I have done for most of this chapter) and by operating within the framework of the history of ideas. My concluding contention is, thus, that contrary to what both some Austrians (e.g., Boettke 2010: xvii) and some of their enemies have claimed, a highly skeptical stance towards, for instance, extensive “social engineering” (short of all-out planning) and the like does not follow from the “logic” of praxeological economics itself. But once we have established this open-endedness of the Austrian approach, we should move on to examine the normative doctrines that have been used in combination with the economic theory to establish political “constellations” of ideas, usable on the ideological level. That is what I turn to in part 2.

successive increments to her income (above what she pays for necessities)” (Brandt 1996: 206 f).

Part 2: Ethics

V. The “Utilitarianism” of Ludwig von Mises

As we have seen in chapter IV the writings of the Austrian economists – especially the writings that concern the connection between economics and politics – do not have the same “scientific” pretensions as, for instance, neo-classical economics. The Austrians rely less on simplified assumptions to build theoretical models and (much) less on quantification and statistical correlations, which, in turn, leads to a view on the role of predictions that is very dissimilar to neoclassicism. Now the choice to build economic “science” on simplified assumptions and to focus solely on relations that are readily quantifiable entails the risk of certain normative biases, in that some parts of “reality” are highlighted and some neglected.

Austrian economics, on the other hand, is said to be the economics of all of (human) reality. It does not single out certain types of behavior or motives as more interesting than others, and it does not focus on parts of reality for which we have measurable data. This makes Austrian economics normatively open – the pragmatic implications of adopting an Austrian approach are very uncertain. Thus, I have suggested, the political conclusions that are put forward in the writings of the Austrians can only be correctly understood if we investigate the ethical postulates that form a distinct part (because they are not, so to speak, embedded in the theoretical assumptions) of their analyses. To accept their political conclusions it is vitally important that one also accepts their ethical outlook. In this chapter I will try to make some observations – that will hopefully not be trivial and uninteresting – on the ethics of Mises.

The Foundations of Mises’s Normative Theory

There is no doubt that Mises is anxious to place himself within a broad tradition of utilitarianism and classical liberalism. Throughout his writings he clings to the view that the question of what policy is correct should be settled by reference to “utility”.¹⁰⁸ Thus, he eschews, for instance, views about “nat-

¹⁰⁸ Mises’s conclusion is that the “correct” policy is one where the government is established to “protect the individuals within the country against the violent and fraudulent attacks of gangsters, and [...] to defend the country against foreign enemies”, and nothing more (Mises

ural” rights, and the like. Private property, toleration, liberty, equality before the law, or “popular government”, cannot be defended by such doctrines; they should be defended “because they are beneficial” (Mises 1998: 174).

At the same time one should note that Mises is of a more skeptical bent than most of all previous moral philosophers when it comes to the possibilities of defending normative statements through argumentation. Time and again he underscores that he does not want to make any judgments about what people should strive for, since these values are purely subjective. Still, he does say something about how politics *should* be framed. As we have seen already this is in part possible because one of his methods is to say “if you want to achieve this, *then* you should do that” (this is usually called a hypothetical imperative); and since he bases his conclusions on some presumed empirical observations about what people in general *do* want to achieve, he obviously feels entitled to speak in favor of certain policies, given that the empirical observations are correct.

There are, however, a couple of *normative* assumptions made by Mises beyond this hypothetical statement about means and ends. On the one hand he asserts that it is people’s *preferences* that should be considered, on the other hand he asserts that it is the preferences of the *majority* that matters. By and large, this is what Mises means by utilitarianism: not the greatest amount of happiness, but the greatest possible satisfaction of preferences. Some of the questions that might be raised are whether he is right in being so skeptical in the case of moral values (many Austrians do not share this skepticism, most notably Rothbard and Hoppe) and whether the view that the “correct” type of utilitarianism is about preferences rather than happiness. Furthermore, there is the question if his presumptions about people’s actual preferences are correct or not.

But let us start with Mises’s views in metaethics. Mises asserts that “to call something fair or unfair is always a subjective judgment and as such purely personal and not liable to any falsification or verification” (Mises 1998: 243). And in another place he writes that value judgments “express feelings, tastes, or preferences of the individual who utters them. With regard to them there cannot be any question of truth and falsity” (Mises 2007: 19). Thus, by the Misesian account the choices between moral values seem to rest on “no more secure intellectual grounds than do the subjective preferences between goods and services that we express in the market place” (Barry 1986: 58). This seems to be very similar to logical positivism (or its metaethical subset, emotivism), keeping in line with the metaethical theory propounded by, for instance, A. J. Ayer (see Ayer 1964).¹⁰⁹ One way to criticize such a view is to show that moral values can actually be true or false. But one should note that

2006: 37). (Even though there are several passages in his works that put his orthodoxy on the matter in question.)

¹⁰⁹ See above, ch. I.

Mises never makes any effort to defend himself against metaethical theories that claim to be able to do just that, just as he does not really defend his own view in any rigorous fashion other than by short statements, like in the quotes cited above. He almost seems to regard his metaethical view as self-evident (or easily deduced from his subjectivism about economic values).

The biggest problem with this may be that this “subjectivism”¹¹⁰ could come back to hit him in the rear if it turns out that many people in fact do not share his own normative views about, e.g., the moral “sovereignty” of the majority, because he would presumably not be able to argue that this view would be better than any other moral view. This, however, does not need to be a problem. If it is Mises’s view that it is plainly *impossible* to prove one ethical judgment as being better than another, then he does not really commit any grave fault by not going into an argument about the majority principle; but perhaps it would be valuable if he admitted unambiguously that he is only using this principle because it is intuitively appealing or the like (and then it might in turn become a question if it is a “reasonable” moral intuition or not, even though the question about “truth” and “falsity” may be put to the side). Otherwise people may accuse him of the so-called naturalistic fallacy, i.e., deriving an “ought” from an “is”. If it is a fact about humans that they are always making choices, we still need to insert some value statement to arrive at the conclusion that the act of choosing is the only thing that is morally relevant. So Mises should probably concede that he is “arbitrarily” choosing this particular fact about human beings as morally relevant (and by the same token he should concede that other people may opt for other facts as morally relevant, for example the existence of pleasure and pain or certain human virtues).

Still, many liberals (or “libertarians”) have seen the non-cognitivist (emotivist¹¹¹) views of Mises as a problem. Norman Barry, for instance, thinks that Mises’s insistence on *Wertfreiheit* entails that he cannot provide a “comprehensive metaphysics of liberalism.” For example, Barry sees a weakness in that Mises’s liberalism does not seem to be able to defend “entitlement to property holdings” by ethical arguments (Barry 1986: 68, 13). This may be one reason that Mises’s particular way of justifying liberalism has not been taken up by all subsequent Austrians (in fact, very few of them has taken this route). As Boettke – a contemporary Austrian economist –

¹¹⁰ Quotations marks are inserted here, because I am using the term subjectivism in a slightly different way (mainly because it makes a beneficial connection between Mises’s economic subjectivism and his ethical non-cognitivism) than what is common in metaethical discussions.

¹¹¹ It is, perhaps, possible that Mises (had he contemplated the issue more clearly) would have endorsed another kind of moral nihilism (such as error theory, which is technically not a form of non-cognitivism, but in practice very similar to it) or a more refined version of emotivism (such as norm-expressivism). To be on the safe side I call him simply a non-cognitivist in some places.

remarks: “Mises’s ethical relativism [...] represents a serious problem to the Rothbardian libertarian. For one, if the majority of people within an economy [...] choose interventionist policies (for a host of reasons that persuade them to trade-off economic prosperity for some other ‘good’), Mises must remain silent” (Boettke 1995: 43n).

However, to scrutinize Mises’s argumentation on metaethics is a difficult task, since this argumentation to a large degree is missing.¹¹² But what about the case of preference utilitarianism versus hedonism? What arguments do Mises provide in support of an ethical view that it is preferences that ought to be satisfied rather than pleasure? For one thing, one should note that Mises sometimes uses the term “happiness” in connection to the goals of politics. But usually it is very clear that by that he means nothing but the satisfaction of wishes and not some state of mind in the agent. Thus, “happiness” is used in a purely formal sense. Writes Mises: “[i]n colloquial speech we call a man ‘happy’ who has succeeded in attaining his ends”.¹¹³ So on this account there is “no valid objection to a usage that defines human action as the striving for happiness” (Mises 1998: 14).¹¹⁴ And if happiness is defined in this way, it is obviously not the same as the sort of “happiness” that classical utilitarians like Jeremy Bentham (and, in a slightly different way, John Stuart Mill) had in mind.

However, it is not easy to say why Mises chooses to regard happiness in this “formal” sense rather than in a “substantial” sense (i.e., pointing to actual pleasure or other objective states of mind) if he is so keen to place himself in the utilitarian tradition. A hedonistic utilitarian would claim that we should value what we want to the degree that what we want is *good* for us. In other words, the value does not come from the mere fact that we want it, without regard for the *actual* goodness of the things we want. “I may want close friends and be fortunate enough to have them, but it is not the wanting that grounds why having them is good. Rather, having friends is valuable and that is why I want them” (Clarke 2006: 143). Of course, we might just say that Mises is following the practice that had become established since the late 19th century of using “utility” to refer to the *good itself*, not to the *tendency to produce* good (as most economists before Marshall’s time had

¹¹² “[A]s an economist Mises was thoroughly familiar with subjective values and may have found any other approach conceptually uncomfortable. This in part accounts for the fact that Mises says little to support his condemnation of objective values: he treats the issue as virtually self-evident” (Gordon 1994: 104).

¹¹³ Cf. Mises (1998: 15): “Praxeology is indifferent to the ultimate goals of action. Its findings are valid for all kinds of action irrespective of the ends aimed at. It is a science of means, not of ends. It applies the term happiness in a purely formal sense. In the praxeological terminology the proposition: man’s unique aim is to attain happiness, is tautological”.

¹¹⁴ Cf. Mises 1962: 125 f.

done).¹¹⁵ Among moral philosophers the earlier usage persisted well into the 20th century (and it is probably still predominant among utilitarians, except that not all utilitarians equate the good with feelings of pleasure alone), while among economists the later view came to dominate; and this is probably why preference utilitarianism has been most common among economists. So the major difference is that whereas hedonism says that there is a good (mostly pleasure) and that certain choices have different degrees of utility (usefulness) in achieving the good, preferentialism says that what someone prefers is per definition what is good for him or her – and the “degree” of preference (or “utility”) can be drawn as a utility function (Broome 1991). One could, thus, quickly make the point that Mises is simply placing himself in a preferentialist tradition that had become the standard interpretation of “utility” among economists; but if one wants to try to solve the *normative* problem of the best society, it is hard to leave it at that, and the dilemma still stands.

One possible answer to this dilemma would be that Mises *would actually be* interested in the maximization of *pleasure*, had he (like, for instance, Bentham¹¹⁶) thought it was actually possible to measure and compare the degrees of pleasure in different individuals. But this, Mises does not think.¹¹⁷ In fact, he establishes that “[w]hat makes a man feel uneasy and less uneasy is established by him from the standard of his own will and judgment, from his personal and subjective valuation. Nobody is in a position to decree what should make a fellow man happier” (Mises 1998: 14).¹¹⁸ But note that here he actually seems to be talking about happiness in a substantial sense when he uses the words “feel uneasy”. And in another place he says that “it is certain that every act of preferring is characterized by a *definite psychic intensi-*

¹¹⁵ Bentham’s own words are very clear on this point: “By utility is meant that property in any object, whereby it tends to produce benefit, advantage, pleasure, good, or happiness, [...] or [...] to prevent the happening of mischief, pain, evil, or unhappiness to the party whose interest is considered” (Bentham 1907: 2). Utility is, thus, referring to the usefulness of the tools that bring the good. If an action has high “utility” then it is a good way to maximize pleasure. To speak about maximizing utility as a good in itself makes no sense on Bentham’s account. And it is quite possible that what a person mostly prefers to do are actions that may have low utility, because there may be other actions that are more useful when it comes to maximizing the good.

¹¹⁶ Or at least according to a widespread view of what Bentham thought.

¹¹⁷ Incidentally, I do not see that this view must be an inherent part of praxeology. It seems perfectly possible to be an Austrian economist and to believe that pleasure is something that can (at least in principle) be measured and compared, just like an Austrian may believe (and all of them probably do) that we can measure and compare degrees of body temperature among different persons (albeit that the technology for measuring the former is currently lacking, and we must usually rely on our subjective estimations of our own and other’s pleasure levels).

¹¹⁸ Cf. Mises (1998: 417): “It is impossible to discover a standard for comparing the different degrees of satisfaction or happiness attained by various individuals”. Cf. also Mises (2007: 58): “Utilitarianism does not teach that people should strive only after sensuous pleasure”.

ty of the feelings it implies” (Mises 1998: 205, emphasis added), which seems to provide an opening for hedonistic calculation. But he goes on to say that these psychical quantities “are entirely personal, and there is no semantic means to express their intensity and to convey information about them to other people” (Mises 1998: 206).

This might plausibly be interpreted to the effect that Mises actually thinks what is *valuable* about the satisfaction of wishes is this “psychic intensity” (the *result* of the wishing, that is), and that it is preferable that this should be as strong as possible, but that it is not possible to add together the psychic intensities of many individuals into one sum. In any case, that would solve the riddle of *why* the satisfaction of preferences is normatively valuable.¹¹⁹ Furthermore, in a passage in *Socialism* Mises speaks about utilitarianism in a more Benthamite fashion: “The declamations of philosophers cannot alter the fact that life strives to live its life out, that the living being seeks *pleasure* and avoids *pain*. All one’s scruples against acknowledging this as the basic law of human actions fall away as soon as the fundamental principle of social co-operation is recognized” (Mises 1962: 402). There are similar comments in *Liberalism* too, for example when Mises says that “[i]n the last analysis, it [liberalism] has nothing else in view than the advancement of [...] outward, material welfare and does not concern itself directly with [...] inner, spiritual and metaphysical needs. It does not promise men happiness and contentment, but only the most abundant possible satisfaction of all those desires that can be satisfied by the things of the world” (Mises 2002: 4). Evidently he is hinting that there is a difference between “real” happiness and the satisfaction of (measurable) preferences.

In other words, it seems possible to make two interpretations of what Mises is getting at: one that says that it is actually the (substantial) happiness that the satisfaction of preferences give rise to that is valuable, but that this type of utilitarianism cannot be applied since substantial happiness cannot be aggregated on an interpersonal level;¹²⁰ one that says that it is actually the preferences – the individual attainment of specific goals – themselves that are morally significant. Personally I think that the first interpretation is the most reasonable if one reads *Human Action*, while he is making statements in a more preferentialist direction in other works (even though the “hedonis-

¹¹⁹ In addition, the following passage seems to lend support to the interpretation that it actually is happiness as a state of mind rather than as satisfaction of preferences that is the ultimate goal: “It is man’s innate nature that he seeks to preserve and to strengthen his life, that he is discontented and aims at removing uneasiness, that he is in search of what may be called happiness. In every living being there works an explicable and nonanalyzable *Id*. This *Id* is the impulsion of all impulses, the force that drives man into life and action, the original and ineradicable craving for a fuller and happier existence. It works as long as man lives and stops only with the extinction of life” (Mises 1998: 878).

¹²⁰ Alternatively he might be saying that it is *simply not possible* to make people’s “inner life” more happy by political means (even if it is desirable that we do so); see Mises 2002: 4f.

tic” interpretation can also be supported by quotes from other works than *Human Action*). In both cases, however, Mises is reluctant to say exactly how someone *should* act, meaning that you can never call anyone’s preferences morally reprehensible. For instance, he writes that “[i]f my friend prefers to dress, be housed, an eat as it pleases him and not to do as anyone else does, who can blame him? For his happiness lies in the satisfaction of his wishes [...]. It is his valuations that count, not mine or other people’s” (Mises 1962: 447). To a hedonistic utilitarian it would not – in principle – be problematic to say that people should not dress, be housed, or eat in certain ways, especially if those choices have effects on other people’s happiness; but even if no one else is affected by those choices there might still be ways that the person in question could make himself happier by living in a different manner and thus raising the sum of happiness in the world.

Thus, the fundamental questions that should be posed to Mises are, I think, the following: if nothing but preferences is important to satisfy, why is it the case that this satisfaction is morally desirable? If there is a reason for this (why the satisfaction of preferences is valuable), then is it not the case that it is not preferences themselves but the anterior purpose (e.g., pleasure) that should be maximized? And in that case, how do we know which situations and choices that will maximize it? Mises – as I have shown – sometimes says that the answer to the first question has to do with the mental state which is the result of the satisfaction of preferences, and in that case he can be interpreted as a classical utilitarian who still feels compelled to fall back on preferences because his answer to the third question is that there is no other reliable method to separate different situations from each other when trying to find out which of them maximizes the pleasure of many individuals. In that case he is – along with Samuel Brittan – saying that “[y]es, I am content to replace the opportunity to satisfy preferences, for the direct happiness assessment of Benthamite utilitarianism. But as there are no happiness meters and no *soma* pills [a happiness drug in Huxley’s *Brave New World*] without unpleasant after-effects, there is little option”. The most interesting question, however, is whether Mises would agree with the continuation of this passage: “If there were such *soma* pills, I would be less opposed to them than the more strenuous type of liberal. (The strict Benthamite, as I understand it, would have to make consumption of the pills compulsory.)” (Brittan 1990: 80.) In other words, would Mises have held exactly the same liberal views if there actually were reliable “happiness meters” (and *soma* pills) available?¹²¹

¹²¹ Even though I think Mises (and other Austrians) are somewhat mistaken when they describe the mental state of pleasure as a “mystic” quality, completely incomparable between persons (cf. Coyne & Boettke 2006) I will not pursue that question further (see Harsanyi 1982: 49-52 for a short but good discussion on the possibility of interpersonal comparisons). But if one agrees with me on this point it surely undermines a lot of the aprioristic political

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Still, even if Mises thus takes the satisfaction of preferences as his moral criterion,¹²² it seems necessary that we had some way of aggregating the satisfaction of preferences (instead of pleasure) in order to be able to separate different situations from each other. A situation should be more valuable morally if the persons involved get their preferences satisfied to the highest possible degree. And Mises's liberal view is based on just that – that a minimal state, which only relies on coercion to maintain a free market, does indeed satisfy people's preferences (or rather the preferences of the majority) to a higher degree than any other political solution. How does he argue to make this case? He does not say that there is some "logical" necessity about this. No, the whole argument is built on "observations" about what people's preferences actually are at the point in time that we are considering. (However, if one relies on the most formal interpretation of what Mises means by "happiness" there is indeed a logical argument one can make about the best society, namely that the best society is – by definition – the one that exists right now, no matter what it looks like. This is so because all actions that are carried out are necessarily the ones that had the highest preference-ranking [marginal utility]. But this is just the sort of formal Austrian analysis that we ended up with in chapter IV, and since that alone cannot support any policies at all [aside from a few exceptions] this is obviously not Mises's argument for liberalism.)

But here Mises seems to be facing a serious problem. In order to say that policy *a* is better than policy *b* when it comes to satisfying people's preferences it seems like we need some sort of measure or criterion to compare *a* and *b*. This should be simpler the more uniform people's preferences are. If we know exactly what people want then it should be relatively easy to make political advice (given a few reasonably defined political alternatives). Mises's main argument seems to be that a *laissez-faire* type of liberalism does better at satisfying people's preferences, given that "the immense majority of men aim first of all at an improvement of the material conditions of well-being. They want more and better food, better homes and clothes, and a

philosophy being pursued by most Austrians in favor of an empirical one (that is, *laissez-faire* is good if it can be proved that it raises people's substantial happiness more than any other alternative).

¹²² In that case, though, he still owes us an answer to the question of *why* preferences are valuable. If he thinks that this is an ultimate, unprovable moral intuition (just like Bentham thinks that *his* type of utilitarian axiom is unprovable), then it would be good if he said so explicitly. For many people, though, the mere existence of preferences is not very interesting from a *moral* point of view: "To observe that people want something is just the start, and not the conclusion, of moral debate" (Brecher 1998: 2).

thousand other amenities. They strive after abundance and health” (Mises 1998: 96). Unfortunately, Mises does not really become more concrete than that.¹²³ Perhaps it would be desirable that these things were quantified as much as possible to enable us to decide which policy that best fulfills these presumed dreams of further material abundance etc. If there is nothing else to go by, perhaps a measure like Gross Domestic Product could give some rough indication about how the inhabitants of the country in question are getting on when it comes to “material conditions of well-being” and the like, at least for the majority of them. But Mises and most of the other Austrian economists are very skeptical about such measures. Mises writes that

It is possible to determine in terms of money prices the sum of the income or wealth of a number of people. But it is nonsensical to reckon national income or national wealth. [...] The attempts to determine in money the wealth of a nation or of the whole of mankind are as childish as the mystic efforts to solve the riddles of the universe by worrying about the dimensions of the pyramid of Cheops (Mises 1998: 216).

Furthermore, one could mention a dilemma that Mises himself touches upon in at least one place (which presupposes the interpretation of his utilitarianism that it is in the end actually the feelings of happiness that makes the satisfaction of preferences valuable), namely that happiness (in the substantial meaning) does not necessarily follow given the maximum provision of material amenities.¹²⁴

Is there, then, no other recourse than saying that “the only yardstick which can be applied to political doctrines is aprioristic reasoning” (Mises 1998: 318)? It seems like we have come back to the basic praxeological axioms, which in reality cannot tell us much about what policies are the best. For those who require hard data for comparison there may be a glimpse of hope in the following quote by Mises:

In the field of historical experience it is impossible to resort to measurement. As money is no yardstick of value and want-satisfaction, it cannot be applied for comparing the standard of living of people in various periods of time. However, all historians whose judgment is not muddled by romantic prepossessions agree that the evolution of capitalism has multiplied capital equipment on a scale which far exceeded the synchronous increase in population figures. Capital equipment both per capita of the total population and per capita of those able to work is immensely larger today than fifty, a hundred, or two hundred years ago. Concomitantly

¹²³ Cf. Mises (2002: 154): “[Liberalism] presupposes that people prefer life to death, health to sickness, nourishment to starvation, abundance to poverty”.

¹²⁴ See Mises 1962: 204.

there has been a tremendous increase in the quota which the wage earners receive out of the total amount of commodities produced, an amount which in itself is much bigger than in the past. The ensuing rise in the masses' standard of living is miraculous when compared with the conditions of ages gone by (Mises 1998: 611).

Unfortunately we do not get any more concrete indications of which variables we should look at in our statistics, when comparing countries that practice different degrees of "capitalism." Mises does not venture further down this "empiricist" path that he is hinting at here – a path that may lead him into trouble, given that some of the countries with the highest standard of living also practice interventionism on a scale far above Mises's *laissez-faire* ideals.¹²⁵

But perhaps we do not need these variables. After all, Mises is a believer in democracy. If no one but the individual herself knows how to satisfy her particular preferences (which may be a dubious proposition), then a system of majority rule may automatically guarantee the maximization of preference satisfaction. Mises himself writes that "[d]emocracy guarantees a system of government in accordance with the wishes and plans of the majority", but he also adds the following: "But it cannot prevent majorities from falling victim to erroneous ideas and from adopting inappropriate policies which not only fail to realize the ends aimed at but result in disaster. Majorities too may err and destroy our civilization" (Mises 1998: 193).¹²⁶ What Mises seems to imply is that even if the separate individual knows what would make him happy, it is still the case that he can be mistaken when it comes to knowing about the most effective means to reach this state of happiness. And since Mises appears to know quite well what people actually strive for in life, it appears that people in most (or all) democracies are mistaken about the best means to satisfy their goals, since they seldom choose to give the power to politicians who enact the sort of *laissez-faire* policies that Mises recom-

¹²⁵ The problem of quantitative comparisons cannot be avoided even if we, like Eshelman (1993) does, claim that Mises's real goal is "social harmony" rather than the maximization of happiness, preference satisfaction, or the like. After all "social harmony" must also be able to exist in degrees, and it is not unreasonable to ask whether we cannot find more social harmony in (democratic) countries with less *laissez-faire* than in countries with more of it. Of course, one could define "social harmony" in a way that *laissez-faire* wins by definition (which, at times, seems to be what Eshelman does), but that would obviously be question-begging.

¹²⁶ Cf. Mises (1998: 563): "It is a common phenomenon that the individual in his capacity as a voter virtually contradicts his conduct on the market. Thus, for instance, he may vote for measures which will raise the price of one commodity or of all commodities, while as a buyer he wants to see these prices low. Such conflicts arise out of ignorance and error. As human nature is, they can happen." He does, however, add that this situation is preferable to a kind of socialism where the individual cannot "vote" neither as a participant in the marketplace nor as a traditional democratic voter.

mends. If he keeps on defending democracy (democracy might be a bad idea if it is the case that people usually are mistaken about how to satisfy their preferences¹²⁷) as the best way to fulfill his utilitarian ideal, then it seems that he must possess an almost superhuman optimism about his (and his disciples') abilities to persuade people that they are choosing the wrong means – and how will he be able to persuade them without deferring to concrete measurements when comparing the achievements of different political systems? Of course, another possibility is that he is actually mistaken about what people's preferences actually are.

Perhaps I should also add that Mises's theory of democracy might collide with other theories. Even if most democrats might agree that “the majority of ends (and those the most important) are common to the great mass of mankind”, it might be more doubtful if everyone will agree that “the fact that some ends are only entertained by a few is of subordinate importance” (Mises 1962: 126). Evidently this is a question about minority rights and the like, but Mises is far from a full-fledged theorist of democracy, so he does not provide many elaborated answers to these dilemmas.¹²⁸ Perhaps he would agree to a theory similar to that of Jonathan Riley, who thinks that democracy can best be defended on a utilitarian basis the more one subscribes to the view that ordinal comparisons (as distinct from cardinal ones) by the utility function is the only practical method. “Evidently, if interpersonal utility comparisons are meaningless, then any utilitarian society is for all practical purposes confined to purely ordinal utility information. This could be one explanation for why utilitarians become democrats: they are forced to do so by informational constraints beyond man's capacity to modify” (Riley 1990: 343). But, to repeat, the democratic theme is not exactly paramount in Mises's writings, so we may leave it for now.¹²⁹

¹²⁷ But if he, on the other hand, thinks that people are very good at knowing how to best fulfill their wishes, then the fact that they often prefer interventionist policies should turn Mises into a defender of those very policies. I guess the critical question is where sufficient knowledge (which enables us to “approve” of the people's *actual* voting) turns into insufficient knowledge.

¹²⁸ He does, however, express some thoughts in an early work about the dangers of setting up a democracy in a state that contains more than one distinct nationality. His solution to this problem – which seems to confirm his allegiance to “majoritarian” democracy – is not to make constitutional provisions to protect national minorities, but to allow the different nationalities to form new states (see Mises 1983: II.2.A).

¹²⁹ And one might also add that it is possible that Mises would have subscribed to Public Choice-theories of democracy (like so many ‘rightists’ seem to do more or less instinctively) if he had formed his opinions of democracy a few decades later than he did. In that case his defense of democracy as a way of, so to speak, aggregating people's preferences would not have been so ardent. On this point, see the translator's introduction in Mises 1983 (p. xf), where Mises's devotion to democracy is described as “tinged with a touching naiveté.”

Mises's Assumptions About Actual Preferences

In the previous section I pointed to some problems concerning Mises's type of utilitarianism. But if we choose to accept his line of reasoning, that the best policy is the one that maximizes the satisfaction of preferences, we still need to know if Mises is right when he asserts that people's actual preferences are such and such. This is an empirical problem that one has to face whether one is a hedonist (what makes people *happy*?) or a preferentialist (what are people's *wishes*?). And regarding this question Mises is not an *a priori*ist. He does not assume any sort of simplified model about what drives human beings. An economic theory built on a *homo oeconomicus* is eschewed by Mises: "Such a being does not have and never did have a counterpart in reality; it is a phantom of a spurious armchair philosophy. No man is exclusively motivated by the desire to become as rich as possible; many are not at all influenced by this mean craving. It is vain to refer to such an illusory homunculus in dealing with life and history" (Mises 1998: 62).

But one cannot deny that Mises bases his views about people's preferences on some sort of rule of thumb about what people *in general* want. What these generalizations amount to I have touched upon in the previous section ("the immense majority of men aim first of all at an improvement of the material conditions of well-being. They want more and better food, better homes and clothes, and a thousand other amenities. They strive after abundance and health" [Mises 1998: 96].) However, Mises does not have anything approaching a worked out theory about this, or any real exposition of empirical findings, but his ideas about people's actual preferences are strewn out here and there in the shape of short comments. This is of course a pity, since his political recommendations are built on "economic progress" and the companion thesis that "economic progress consists primarily in making the amenities of life more easily accessible" (Mises 1998: 466) – a thesis that rarely gets more concrete than that.¹³⁰

I do not want to suggest, however, that these assumptions about people's preferences are entirely unrealistic. It is probably the case that the preferences of most people to a large degree consist in wishes about better and cheaper material amenities and the like. But – and this does not contradict the spirit of Mises's political philosophy (even though he does not ponder this alternative possibility) – people surely do have other types of wishes as well. And the main question should be how much of material gains they are prepared to sacrifice for those wishes.¹³¹ If it is the case that Mises's type of

¹³⁰ When Mises is in his most generalizing mood he leans on things like "the generally accepted values of Western civilization" (Mises 2007: 33).

¹³¹ Cf. Myrdal (1965: 199): "Unfortunately – or perhaps fortunately human actions are not solely motivated by economic interests. The concept itself, though popular amongst economists, presents, on closer inspection, certain difficulties. Presumably 'economic interest'

laissez-faire liberalism is the system that *maximizes* material wealth, then it is surely interesting to ask if it is *also* the system that maximizes preferences held by people who, for instance, are willing to sacrifice *a part* of the presumed rise in material wealth for other goals (many people do probably want a continual growth of material wealth, but if it must be *maximized* at every instance is another question). Let us, for example, assume that a majority of people wants to prohibit paid work for anyone under fifteen years of age (for instance, because “human dignity” demands that children should be exempt from working), and at the same time wants to tax all citizens in order to give cash benefits to poor parents who thus are able to put their children in school rather than having to send them to work. Or let us suppose a legislation that forces all businesses to incur costs for security in the form of fire exits and the like. These are of course cases of interventions upon the free market, and it lowers the citizens’ possibilities of satisfying other material wants (since the parents and the companies in question have less money to spend). But is it implausible to assume that the preferences of the majority might be of the kind that they are prepared to accept a decrease in their material comfort in order to satisfy these non-material wants (in the above examples altruism¹³² and safety respectively)?

Furthermore, I think that Mises may not only be somewhat mistaken about the preferences of the people as voters (who are considering different sorts of political interventions of the free market), but also as consumers (in the “economic democracy of the market”, to use Mises’s words). For instance, he often states that people’s wages are the result of the demand of the consumers.¹³³ As a consequence of this he regards it as bad policy from the side of the Trade Unions to demand that their members’ standard of living must never decline, since he is convinced that in reality consumers are not “prepared to satisfy anybody’s pretensions, presumptions, and self-conceit. They want to be served in the cheapest way” (Mises 1998: 606). Again, I do not

means the desire for higher incomes and lower prices and, in addition, perhaps stability of earnings and employment, reasonable time for leisure and an environment conducive to its satisfactory use, good working conditions, etc. But even with all these qualifications, political aspirations cannot be identified with those interests. People are also interested in social objectives. They believe in ideals to which they want their society to conform [...] [I]t would be a mistake to think that the struggle for higher wages or even for security and other material advantages is the driving-force of the working-class movement”. See also (if you know Swedish) the original wordings, in Myrdal [1930]1972: 256.

¹³² I am assuming that the choice to provide benefits for poor families is not grounded in a fear that otherwise these youths go around committing crimes that other citizens will suffer for. If this assumption is unrealistic, this preference may be transferred to the category of safety.

¹³³ “Wage rates are ultimately determined by the value which the wage earner’s fellow citizens attach to his services and achievements. Labor is appraised like a commodity not because the entrepreneurs and capitalists are hardhearted and callous, but because they are unconditionally subject to the supremacy of the pitiless consumers” (Mises 1998: 605).

think it is totally unrealistic to assume that consumers are prepared to satisfy at least some of the “pretensions, presumptions, and self-conceit” (if those, for example, consist in a wish of keeping real wages intact) of other people, even if it means that they may not, as a consequence of this, be served in the *cheapest* way.

The same conclusions might be drawn from the following quote: “Whatever the provisions of a social security law may be, their incidence ultimately burdens the employee, not the employer. They affect the amount of take-home wages; if they raise the price the employer has to pay for a unit of performance above the potential market rate, they create institutional unemployment. Social security does not enjoin upon the employers the obligation to expend more in buying labor. It imposes upon the wage earners a restriction concerning the spending of their total income. It curtails the worker’s freedom to arrange his household according to his own decisions” (Mises 1998: 612f). Again, it is hardly unrealistic to assume that people in general are prepared to support laws for “social security,” even if they bring along the negative consequences Mises is enumerating.¹³⁴ Are we always wrong to assume that there are at least some people who are willing to pay more to satisfy other people’s “presumptions”? Is Mises entirely correct when he claims that a question like “[a]re you, as an individual, prepared to pay *more* for something, let us say, a loaf of bread, if you are told that the man who produced this loaf of bread has six children?” will be answered by “the honest man” in the following way: “In principle I would, but in fact if it costs less I would rather buy the bread produced by a man without any children”? (Mises 2006: 10). In other words, would Mises be ready to deny that today there actually are people who are ready to pay more than they have to for certain products simply because they want the people who produce them to earn larger wages? The facts would speak against him, I think.

Thus, the interesting question is probably not whether people can tolerate these negative consequences at all, but rather *how much* of the negative consequences they are willing to tolerate (as a price to pay for the positive consequences).¹³⁵ And if this reasoning is broadened maybe the larger question is not about interventionism and unbridled capitalism, but rather about *how much interventionism* (although we still need to entangle the question about what “interventionism” really means, and how much “quasi”-interventions that are possible in a “capitalist” society – this question, however, will be addressed at a later point). To avoid that the question gets posed in that form Mises has to rely on *ad hoc*-hypotheses about the dangerous slippery slope

¹³⁴ Here we are, of course, (without damaging the argument) disregarding the criticism of other economists who dispute Mises’s account of the consequences. The point is that one might “legitimately” disagree with Mises on the desirability of interventionist policies even if one is a Misesian in economics. It all hinges on one’s ethical standpoint.

¹³⁵ Cf. also a related passage about subsidies to farmers in Mises 1998: 656.

of interventionism – hypotheses of this type: “It is no accident that Germany, the country that inaugurated the social security system, was the cradle of both varieties of modern disparagement of democracy, the Marxian as well as the non-Marxian” (Mises 1998: 613).

So far I have pointed to some problems about being too quick to assume that people have certain preferences rather than others and what this entails when applying preference-utilitarianism. But as I have mentioned it is possible to interpret Mises’s utilitarianism in a different light, viewing him as a sort of “crypto”-hedonist, as he sometimes seems to imply that it is actually the pleasurable feelings in which the satisfaction of preferences result that makes the satisfaction of preferences valuable in the first place. On this interpretation, the focus on preferences is not due to the importance of preferences themselves, but to the presumption that the feelings behind the satisfaction of preferences cannot be measured and aggregated. In this situation Mises may not have much choice but to resort to a claim that the more choices the consumer has when it comes to spending her money, the higher the probability that her preferences will be satisfied.

But if it is the case that it is *feelings* that *really* make the satisfaction of preferences valuable, what conclusion should we draw if it can be (more or less) proved that a plethora of consumer choices might actually lower the levels of (substantial) happiness? For instance, Barry Schwartz has referred to research that seems to show that the existence of too many choices tends to lower the satisfaction that people feel about the choices they have made.¹³⁶ According to Schwartz, a strategy for increasing the levels of happiness is to be more of a “satisficer” than a “maximizer”, that is a person who “settle[s] for something that is good enough”, rather than someone who “seek[s] and accept[s] only the best”. And Schwartz is not the only one who claims that “[o]nce a society’s level of per capita wealth crosses a threshold from poverty to adequate subsistence, further increases in national wealth have almost no effect on happiness” (Schwartz 2005a: 77 f, 106). Thus, Schwartz claims that it would be a win-win-situation (Pareto optimal!) to do some redistribution between rich and poor countries, so that the citizens in the former got rid of the burden of too many choices while the citizens in the latter get the welfare increases that more choices bring along in the situation when one does not have many choices to start with. Exactly where the line between too many and too few choices should be drawn Schwartz does not say, but ac-

¹³⁶ Cf. Reeve (1990: 109): “In brief, choosing can be a painful business. There are occasions when the range of choice is so great that the chooser feels overwhelmed, and a decision is made with relief. A trivial example concerns restaurant menus. The more options there are, the more likely, on the face of it, that the diner will be able to choose something very satisfying; on the other hand, the more choices there are the more difficult, if not disquieting, the process of choice itself. It also seems that the greater the variety, the larger the number of possible choices, the greater the chances that someone will wish he had made a choice other than the one he did make.”

according to him the richest part of the world (especially his own country, the USA) has come too far in the wrong direction (Schwartz 2005b).¹³⁷

Perhaps it is the case – if we were to let Schwartz debate Mises – that it may be worth while to take the losses in “efficiency” that a less liberal policy may entail, if it means that the burden of too many choices gets lifted somewhat. This may, e.g., be the case when it comes to government monopolies on electricity, telephone services, and the like. As Schwartz writes:

I am not suggesting [...] that deregulation and competition in the telephone and power industries are bad things. Many experts suggest that in the case of phone service, deregulation brought improved service at lower prices. With electric power the jury is still out. In some places, the introduction of choice and competition has gone smoothly. In other places, it has been rough, with spotty service and increased prices. [...] But even if we assume that the kinks will be worked out eventually [...], the fact remains that it’s another choice we have to make (Schwartz 2005: 24).

Many choices – that is, opportunities to satisfy our preferences – may sometimes be good to have, but most of do probably not want to end up like the “young lady in Hong Kong [who] fell in love with three gentlemen and could not decide which to marry. She committed suicide” (Ng & Ho 2006: 6f).

Mises’s Critique of Interventionism and the Relevance of His Liberalism

If we turn to a more “political” (or perhaps “rhetorical”) level, it is not uninteresting to pose the following question: What are the foremost problems when it comes to Mises’s attempts to inculcate the benefits of the *laissez-faire* (or minimal) state? Firstly, I believe it could be said that he is faced with the same problems as everybody else who speaks in favor of a system that is to a large extent different from what most people are used to. Secondly, it is not unreasonable to claim that many people who live in states that regulate capitalism to a large degree in the interventionist fashion that Mises is criticizing do not really experience the dangers that he is ascribing to that type of system. For those reasons, the concepts he uses to elaborate his ideals seem to lack the necessary *historical transferability* (see Koselleck 2011).

¹³⁷ Though perhaps one could make the case that Mises wrote in an age when it was still the case that more consumer choices led to higher levels of welfare in the US and similar countries (which would have given him some edge back in, say, the 1940s, but certainly not in the 2000s).

“Socialism” is not really the “enemy” any longer, which means that Mises’s critique of “interventionism” must, so to speak, stand on its own two feet.

When it comes to defining such concepts as “socialism” and “capitalism”, it is of course allowed to a theorist to define it in a way that fits the analysis in which one is engaged, but when it comes to the political effects of a this “abstract” thinking, it is easy to agree with Koselleck that “a ‘we’ group can become a politically effective and active unity only through concepts which are more than just simple names and typifications.” The concepts in question thus become “not merely a sign for, but also a factor in, political or social groupings.” Especially important are the conceptual dichotomies that serve to exclude non-members. Koselleck himself has analyzed such conceptual dichotomies as hellene-barbarian, christian-heathen and human-nonhuman. He has also made some interesting observations on the concept of democracy, which loses its rhetorical power once it can no longer be contrasted to aristocracy and monarchy: “[D]emocracy could no longer derive legitimacy by contrasting itself with these older, bipolar opposites or counter-concepts [...]. It had to be legitimated, instead, by reasons that varied depending on whether it was associated with liberalism, Caesarism, or socialism” (Koselleck 2011: 12). In the present analysis, the interesting dichotomy is capitalism-socialism, and the premise of my discussion is that the “efficiency” of this dichotomy is highly dependent on the historical context. The way that that (especially) Mises and Hayek contrast capitalism and socialism might be understandable in light of the establishment of the Soviet Union (and the attraction that state had on some intellectuals in the 1920s and 1930s) and in light of the Cold War era. The main question is, thus, to find out to what degree these concepts (as defined by the Austrians) “can be separated from their original conditions of emergence and their former concrete context”, if they, in other words are “historically transferable” (Koselleck 1985: 160, 163).

Now the question about people’s perceptions of the interventionist world hinges on how well elaborated Mises’s theory of interventionism really is. Does he, in other words, make a believable argument to support his thesis that the interventionist state is doomed to be unstable and eventually collapse? The other main economic systems, capitalism (or the “market society”) and socialism can, according to him, “be neatly distinguished.” According to Mises, it is not possible to have a system that mixes socialism and capitalism: “If in the frame of a system of social cooperation only some means of production are subject to public ownership while the rest are controlled by private individuals, this does not make for a mixed system combining socialism and private ownership. The system remains a market society, provided the socialized sector does not become entirely separated from

the non-socialized sector and lead a strictly autarkic existence” (Mises 1998: 712).¹³⁸

Interventionism, on the other hand, Mises describes as different varieties of a system that according to its proponents “are as far from socialism as they are from capitalism. Their authors allege that these systems are non-socialist because they aim to preserve private ownership of the means of production and that they are not capitalistic because they eliminate the ‘deficiencies’ of the market economy” (Mises 1998: 713). A succinct description of an interventionist system would thus be something like this:

The authority interferes with the operation of the market economy, but does not want to eliminate the market altogether. It wants production and consumption to develop along lines different from those prescribed by an unhampered market, and it wants to achieve its aim by injecting into the working of the market orders, commands, and prohibitions for whose enforcement the police power and its apparatus of violent compulsion and coercion stand ready. But these are *isolated* acts of intervention. It is not the aim of the government to combine them into an integrated system which determines all prices, wages and interest rates and thus places full control of production and consumption into the hands of the authorities (Mises 1998: 714).

And the intervention itself is “a decree issued, directly or indirectly, by the authority in charge of the administrative apparatus of coercion and compulsion which forces the entrepreneurs and capitalists to employ some of the factors of production in a way different from what they would have resorted to if they were only obeying the dictates of the market. Such a decree can be either an order to do something or an order not to do something” (Mises 1998: 714f).

What seems, however, to be more important than just describing interventionism is to distinguish it from capitalism, since Mises denounces the former and praises the latter. But that is not a very simple task, because Mises seems to admit that the state can play a significant role in a capitalist system. As seen above, Mises says that interventionism entails attempts to change production and consumption so that they assume a different character than they would have on a free market. An example of this (used by Mises) was the American ban (in the period between the World Wars) on the manufacture, transportation and sale of alcohol. But at the same time as Mises sees

¹³⁸ He continues: “Publicly owned enterprises, operating within a system in which there are privately owned enterprises and a market, and socialized countries, exchanging goods and services with nonsocialist countries, are integrated into a system of market economy. They are subject to the law of the market and have the opportunity of resorting to economic calculation” (Mises 1998: 712); cf. also p. 259.

this as an example of interventionism, he thinks that other forms of coercion (which changes patterns of consumption and production compared to what they would be absent the coercion) are compatible with capitalism. For instance, he believes that state ownership of certain means of production, and even the practice of covering its losses with taxes, is compatible with capitalism. Such an arrangement “neither eliminates nor mitigates the supremacy of the market; it merely shifts it to another sector. For the means for covering the losses must be raised by the imposition of taxes. But this taxation has its effects on the market and influences the economic structure according to the laws of the market. It is the operation of the market, and not the government collecting the taxes, that decides upon whom the incidence of the taxes falls and how they affect production and consumption. Thus the market, not a government bureau, determines the working of these publicly operated enterprises”.¹³⁹ Similar comments can be made pertaining to tax-financed “alms” to people who are unable to work. If this is done in a way that does not encourage “unwillingness to work and the idleness of able-bodied adults” (Mises 1998: 259f, 600) then it is in principle compatible with capitalism (although Mises himself seems to prefer private charity before state-controlled).¹⁴⁰

The case of taxes is also instructive, since Mises believes them to form a natural part of a market society. Nevertheless, he says that if “taxes grow beyond a moderate limit, they cease to be taxes and turn into devices for the destruction of the market economy”. But how high taxes may become hardly seems to be a question of *praxeological* and *apodictic* considerations. In most advanced economies today, taxes are considerably higher than they were when Mises wrote *Human Action*. At the same time people’s access to material amenities (which is what Mises believes that most people usually want) has been highly facilitated. Thus, one wonders whether countries like Denmark, Sweden, or Germany have destroyed the market economy through taxes that are too high, or if the preferences of the citizens actually were of the kind that they have been ready to sacrifice some of the advantages that lower taxes presumably brings to get the advantages that higher taxes may bring. Mises actually admits something similar to that in a passage where he says that it is the case that a tax “directly curtails the taxpayer’s satisfaction. But it is the price he pays for the services which government renders to society and to each of its members. As far as the government fulfills its social functions and the taxes do not exceed the amount required for securing the smooth operation of the government apparatus, they are necessary costs and repay themselves.” Besides, it does not seem unreasonable to claim that Mises has been proven wrong when it comes to the following statement: “Looking backward on the evolution of income tax rates from the beginning

¹³⁹ Similar lines of reasoning can be found in Mises 1962: 528f.

¹⁴⁰ See also Mises 1998: 833-836.

of the Federal income tax in 1913 until the present day, one can hardly believe that the tax will not soon absorb 100 per cent of all surplus above the customary level of a labor-union leader's salary" (Mises 1998: 734, 738, 803). The fact that people have accepted higher and higher taxes throughout the 1900s does not mean that they are incapable of halting this process at a certain point (and evidently the taxes stopped increasing – or were lowered – in the 80s and 90s in many rich countries)

However, Mises's main attack on interventionism does not concern taxes, but measures that directly affect production: trade barriers, price controls, and the like. And as usual, Mises does not eschew those measures *a priori*; what he says is that they "cannot attain those ends which the governments as a rule want to attain by resorting to [them]" (Mises 1998: 738). One example that he brings up is "pro-labor legislation". As he sees it, both governments and the general opinion miscalculate its effects:

They believe that restricting the hours of work and prohibiting child labor exclusively burdens the employers and is a 'social gain' for the wage earners. However, this is true only to the extent that such laws reduce the supply of labor and thus raise the marginal productivity of labor as against the marginal productivity of capital. But the drop in the supply of labor results also in a decrease in the total amount of goods produced and thereby in the average per capita consumption. The total cake shrinks, but the portion of the smaller cake which goes to the wage earners is proportionately higher than what they received from the bigger cake; concomitantly the portion of the capitalists drops (Mises 1998: 739).

This presupposes (as usual) that the goal is the biggest possible cake to share, and that it would be pretty improbable that people would prefer a somewhat smaller cake the slices of which is distributed differently the distribution that a totally free market would result in.

It is, however, easy to see that in this case too (as well as the case of taxes), Mises provides some ammunition against himself. He says, for instance, *apropos* different types of market restrictions, that there are

cases in which a restrictive measure can attain the end sought by its application. If those resorting to such a measure think that the attainment of this goal is more important than the disadvantages brought about by the restriction – i.e., the curtailment in the quantity of material goods available for consumption – the recourse to restriction is justified from the point of view of their value judgments. They incur costs and pay a price in order to get something that they value more than what they had to expend or to forego. Nobody, and certainly not the theorist, is in a position to argue with them about the propriety of their value judgments (Mises 1998: 749).

One example of this (that Mises brings up) is the setting aside of land from market transactions in order to establish national parks (although he himself is convinced that the citizens are in many cases not aware of the sacrifices that must be done in the form of diminished production and lowered standard of living).

The most frequent target of Mises's criticisms is government control of prices of goods and services (as well as the manipulation of currencies). To control all prices would be a form of socialism (the "German" form, to use Mises's classification, where private ownership exists on paper, but where the owner's control over the assets is completely circumscribed). And as always Mises thinks he can only say whether the price controls under consideration are good means to fulfill the goals that they are meant to fulfill. As he sees it, the purpose of, for example, setting maximum prices on goods is "to make the commodities concerned more easily accessible to the consumers". This is, however, doomed to fail since the "primary function" of the market "is the direction of production". If the government sets the price of a limited set of consumer goods, but leaves it to the market to set the prices of goods that are needed for the production of the controlled goods, then the production of those consumer goods will diminish. This will happen since "[t]he not absolutely specific factors of production will be employed to a greater extent for the production of other goods not subject to price ceilings" (Mises 1998: 758, 757). To stop the companies from shifting its production to consumer goods the prices of which are not controlled, the state would have to establish controls on more and more of the goods used in production; for Mises holds that if "one branch of production were to be exempt from this regimentation, capital and labor would flow into it" (ibid.: 757). Thus, Mises summarizes his view on price controls in this fashion:

Economics does not say that isolated government interference with the prices of only one commodity or a few commodities is unfair, bad, or unfeasible. It says that such interference produces results contrary to its purpose, that it makes conditions worse, not better, *from the point of view of the government and those backing the interference*. Before the government interfered, the goods concerned were, in the eyes of the government, too dear. As a result of the maximum price their supply dwindles or disappears altogether. The government interfered because it considered these commodities especially vital, necessary, indispensable. But its action curtailed the supply available. It is therefore, from the point of view of the government, absurd and nonsensical (Mises 1998: 758).

One of the most well-known (in circles who are familiar with Mises at least) examples that Mises has used to illustrate the point is found in his book *Socialism* and regards the control of the price of milk. If the government, he says, want to see to it that poor parents are able to give more milk to their

children, then a policy that resorts to setting a price that is lower than the market price would have the opposite effects. There would be *less* milk available to the consumers, since many producers would leave the milk industry in favor of more profitable endeavors. As Mises sees it, the government has two alternatives: to abandon price controls or to establish even more controls on the goods that are needed for milk production etc. until there is no longer a place to which the producers and the capital can “flee” (Mises 1962: 533f).

In connection to this theory of price controls Mises brings forward his main argument to prove that interventionism is not a system that can be sustained in the long run: “If the government is unwilling to acquiesce in this undesired and undesirable outcome and goes further and further, if it fixes the prices of all goods and services of all orders and obliges all people to continue producing and working at these prices and wage rates, it eliminates the market altogether” (Mises 1998: 759).¹⁴¹ Thus, the reasonableness of the theory of price control and its derailment hinges on that the purposes of the controls are those that Mises assumes and that the governments are usually reluctant to accept that their policies may have some unwanted side effects (i.e., that they are bound to want to go “further and further”). He also assumes that the policy of “[i]nterventionism is guided by the idea that interfering with property rights does not affect the size of production” (ibid.: 800). It is those assumptions that lead him to the viewpoint that a system of “confiscation and expropriation” is not viable.

There is, however, a huge dilemma when it comes to distinguishing such confiscations that may take place in a capitalist society (mainly in the form of taxes) from those that sets us on the path to the instability of interventionism (and eventually socialism). And the very assertion that interventionism is unstable and impossible to maintain for a long time seems problematic. Let me quote a parable of Mises’s:

When the Vikings turned their backs upon a community of autarkic peasants whom they had plundered, the surviving victims began to work, to till the soil, and to build again. When the pirates returned after some years, they again found things to seize. But capitalism cannot stand such reiterated predatory raids. Its capital accumulation and investments are founded upon the expectation that no such expropriation will occur. If this

¹⁴¹ Cf. Mises (1998: 854): “All varieties of interference with the market phenomena not only fail to achieve the ends aimed at by their authors and supporters, but bring about a state of affairs which – from the point of view of their authors’ and advocates’ valuations – is less desirable than the previous state of affairs which they were designed to alter. If one wants to correct their manifest unsuitableness and preposterousness by supplementing the first acts of intervention with more and more of such acts, one must go farther and farther until the market economy has been entirely destroyed and socialism has been substituted for it”. See also pp. 319 and 728f.

expectation is absent, people will prefer to consume their capital instead of safeguarding it for the expropriators. This is the inherent error of all plans that aim at combining private ownership and reiterated expropriation (Mises 1998: 800f).

Now this example may just as well be used as an example of the workability of interventionism, if one thinks of the Vikings as government officials that the peasants themselves have chosen (by majority vote) and that the “expropriating” activities are not so extensive that the peasants have to start all over after every “expropriation” (taxation).¹⁴² If one imagines that the peasants (or at least a majority of them) have themselves set the principles of this “plunder” and that the sum that they have to give away is small enough to give them a better life over time, then why must one conceive of such a system of “plunder” as unstable? (And is this not in fact how modern states work?). Mises is, however, adamant that such a system of interventionism is unworkable in the long run: “It is obvious that in the long run such policies must result not only in slowing down or totally checking the further accumulation of capital, but also in the consumption of capital accumulated in previous days. They would not only arrest further progress toward more material prosperity, but even reverse the trend and bring about a tendency toward progressing poverty” (Mises 1998: 840).

If this is accurate it should follow that the welfare states of today are not examples of full interventionism (but rather examples of capitalism where the interventions that occur mainly are “quasi-interventions” that are compatible with capitalism), or that they are in fact in a state of “progressing poverty.” The first alternative would probably make Mises a rather inadequate *laissez-faire* liberal (in the eyes of other liberals), while the second alternative gravely diminishes the power of his argument, since he has to both convince the citizens that they are in a state of constantly worsening satisfaction of their preferences *and* that his liberal alternative would reverse this trend (it is, however, interesting to note that today, it is usually liberals who are the most anxious to point out that things are steadily getting better, in spite of what Mises would describe as rampant interventionism all over the world – the pessimists seem to be found among the left and the greens).

In the end, Mises’s theory of the instability of interventionism is built on an assumption of people’s (or rather their political representatives’) lack of *willpower*, when it comes halting the ambitions of government control at the right time. He asserts, for instance, that “[i]t is an established fact that alco-

¹⁴² Indeed, it seems that most governments, even the most authoritarian ones, in ancient times have been careful not to cross the line where taxation becomes unbearable to common people (exceptions usually occur in times of grave military danger); see Fukuyama (2012). And it is probably not implausible to assume that modern *democratic* (or polyarchic) governments would have even more difficulties to raise taxes to unbearable levels.

holism, cocaineism, and morphinism are deadly enemies of life, of health, and of the capacity for work and enjoyment; and a utilitarian [like Mises] must therefore consider them as vices”; and he seems to believe that it is *possible* that government measures might decrease these activities. But he goes on to say that “even if this end could be attained,” it is still not certain that such an intervention “might not therewith open up a Pandora’s box of other dangers, no less mischievous than alcoholism and morphinism.” What a full-blown Misesian theory needs is, thus, *empirical* accounts of how common it is that an interventionist (and democratic) state opens this Pandora’s box of further interventions. After all, it seems reasonable to ask for some evidence for statements like the following: “We see that as soon as we surrender the principle that the state should not interfere in any questions touching on the individual’s mode of life, we end by regulating and restricting the latter down to the smallest detail” (Mises 2002: 53f). Of course, it may be the case that this line of thinking may have had more to it when Mises formed these opinions. Especially in the interwar years there seems to have been many intellectuals who actually wanted to open this Pandora’s Box of further government regulation until socialism is reached. But that just proves the point that Mises’s thinking to a large extent lacks historical transferability.

The main conclusion to draw from Mises’s theory of interventionism is that it hardly supports his gloomy (and recurrent) thesis that “[m]en must choose between the market economy and socialism. They cannot evade deciding between these alternatives by adopting a ‘middle-of-the-road’ position, whatever name they may give to it” (Mises 1998: 857). On the point of the inadequacies of Mises’s theory of interventionism, Lavoie writes that “[t]he major weakness of his critique of interventionism [...] is his narrow focus on only some particular types of interventionism”, and this “seriously weakened his broader argument concerning comparative economic systems”. On the other hand Lavoie believes that if Mises in his early writings had been to restrictive about what should count as interventionism, then he had covered some “loopholes” (although not all of them) in *Human Action*. My contention (and I hope the previous analysis has helped to support it) is, however, that this is not the case; and my conclusion – *contra* Lavoie – is that a critical view of interventionism does not necessarily follow from “the basic logic of his [Mises’s] theory” (Lavoie 1982: 169, 172, 169).¹⁴³ One can, for instance, draw out what Mises writes in connection to the milk example discussed above. It may be the case that price controls defeat the purpose of providing milk to poor children, but there is another type of “intervention” (if we are allowed to call it a “pure” intervention by Mises’s terminology) available: “If the government wants to make it possible for poor parents to give more milk to their children, it must buy the milk at the market price and

¹⁴³ Cf. Rothbard (1982: 185): “Even Mises, so systematic in every other area, treated various forms of government intervention on a piece-by-piece, ad hoc basis.”

sell it to those poor people with a loss at a cheaper rate; the loss may be covered from the means collected by taxation” (Mises 1962: 533). In another text he expands this example to include, for example, government support to education (Mises 1996: 4). And is it not – one is tempted to ask – in this way that many welfare measures have been constructed? People (or institutions) that the citizens think need more resources are provided with money (through taxation) that they can spend on things that are priced on a market that is largely free.

So what policy does Mises want to see realized instead of the interventionism that he perceived as taking over the world? His ideal seems to be “the unhampered market”. This “utopia” is built on a

division of labor and private ownership (control) of the means of production and that consequently there is market exchange of goods and services. It assumes that the operation of the market is not obstructed by institutional factors. It assumes that the government, the social apparatus of compulsion and coercion, is intent upon preserving the operation of the market system, abstains from hindering its functioning, and protects it against encroachments on the part of other people. The market is free; there is no interference of factors, foreign to the market, with prices, wage rates, and interest rates (Mises 1998: 238f).

It is, however, somewhat unclear if he regards this ideal as a complete “night watchman state”, or if some of the quasi-interventions discussed above may take place. If one were to regard him as a liberal of the first kind¹⁴⁴ then I believe that there are some serious problems of argumentation that must be solved. One flaw seems to be that his non-empirical stance rejects all concrete quantifications of the preferences that the majority (according to him) wants to maximize. What Mises wants is that politicians should realize that human action follows certain logical laws and that policies should be constructed with that knowledge in hindsight. This is really opposite to what is probably most common in actual politics, i.e. that one consults certain variables (e.g., gross domestic product, employment, health, crime levels, or more “eccentric” measures, such as “satisfaction with life”) to see how well policies function. It may seem to be the case that states that have good values on these variables also intervene a great deal in the economy, so what the Mis-

¹⁴⁴ Passages like this one seem to support such an interpretation: “The market economy is the social system of the division of labor under private ownership of the means of production. [...] There is in the operation of the market no compulsion and coercion. The state, the social apparatus of coercion and compulsion, does not interfere with the market and with the citizens’ activities directed by the market. It employs its power to beat people into submission solely for the prevention of actions destructive to the preservation and the smooth operation of the market economy. It protects the individual’s Life, health, and property against violent or fraudulent aggression on the part of domestic gangsters and external foes” (Mises 1998: 258).

esian has to show is that these states are actually just eating up their “reserve funds” on their way to their certain doom, because one of his central arguments is that interventionism is not a viable system, and that there can be no stable point somewhere between socialism and capitalism (and in practice the former case means total chaos). On the other hand there is the possibility that the kinds of interventions used in modern welfare states are nothing but examples of what I called the quasi-interventions that can exist in what Mises calls a capitalist system. In this case, a lot of Mises’s conclusions may be used by social democrats, social liberals, and such “midde-of-the-road” ideologies (and probably also by more radical views), although this may in fact in some neo-Misesian quarters seem like a profanation of his name.

But if we view Mises as a defender of the night watchman state, then his reasoning is hampered a bit by a fact that he himself admits, namely that “[t]he system of market economy has never been fully and purely tried”. However, he does assert that “there prevailed in the orbit of Western civilization since the Middle Ages by and large a general tendency toward the abolition of institutions hindering the operation of the market economy. With the successive progress of this tendency, population figures multiplied and the masses’ standard of living was raised to an unprecedented and hitherto undreamed of level” (Mises 1998: 265). What he seems to be saying is, thus, that although the free market has never fully been tried people’s material standard of living has nevertheless increased incredibly. Again, there is a difficulty in arguing against the mere possibility of having a system that to a large part is capitalist but that still is characterized by many interventions (or a system in which periods of less interventions change into periods of more interventions cyclically), if it is the case that such a policy in fact has managed to raise standards of living so much. To step in here and claim that we are losing out on *even more* prosperity is, perhaps, to disregard people’s innate conservatism too much (better the devil you know than the devil you don’t). Moreover, it illustrates Mises’s inability to decide what it is that proves the superiority of capitalism; is it the aprioristic economic (praxeological) theory, or is it the *measurable* progress that we see around us? If it is the latter, then the interventionists seem to be able to defend themselves decently. But in that case it would be good to have a Misesian clarification of what variables should actually count in measuring the greatness of a political system. In any case, it is probably quite difficult for a Misesian to argue for a *minimal* state, regardless if one were to choose the aprioristic or the empirical strategy.

Besides the difficulties discussed above, one should also mention Mises’s view of what people’s goals in politics actually are. The more unrealistic they are, the weaker his arguments would become. His main assumption is that people in general want a higher (material) standard of living, and this assumption is grounded in his observation that this is practically the only thing that political parties are promising:

All present-day political parties strive after the earthly well-being and prosperity of their supporters. They promise that they will render economic conditions more satisfactory to their followers. With regard to this issue there is no difference between the Roman Catholic Church and the various Protestant denominations as far as they intervene in political and social questions, between Christianity and the non-Christian religions, between the advocates of economic freedom and the various brands of Marxian materialism, between nationalists and internationalists, between racists and the friends of interracial peace (Mises 1998: 180f).¹⁴⁵

It is probably true that different parties often claim that their policies will make the citizens (or at least a majority of them) more prosperous, but the claim that this is basically the only thing they offer seems somewhat unrealistic. What Mises would need to argue is that even if the largest possible degree of material satisfaction is *not* what people want, it is till the case that the free market is best at satisfying their preferences. To this may be added that when Mises tries to refute the claim that policies should be constructed on the assumption that people in general are interested in *other things* than increasing material well-being, he often resorts to a line of argumentation that consists in a contrasting of his own assumptions against its opposite pole (whereas I believe it would be better if he had developed an argument against those who claim that an increasing material standard of living is quite important for most people, but that they may be ready to forgo *a part of this increase* for other purposes). The following passage exemplifies that point:

¹⁴⁵ See also Mises (1998: 315): “Without exception all political parties promise their supporters a higher real income. There is no difference in this respect between nationalists and internationalists and between the supporters of a market economy and the advocates of either socialism or interventionism. If a party asks its supporters to make sacrifices for its cause, it always explains these sacrifices as the necessary temporary means for the attainment of the ultimate goal, the improvement of the material well-being of its members. [...] Every contemporary statesman or politician invariably tells his voters: My program will make you as affluent as conditions may permit, while my adversaries’ program will bring you want and misery.” And at p. 183 we read: “Their main argument is always: the political system we support will render you more prosperous and more content. [...] People speak of true liberty, equality, social justice, the rights of the individual, community, solidarity, and humanitarianism. But each party is intent upon proving by ratiocination and by referring to historical experience that only the system it recommends will make the citizens prosperous and satisfied. They tell the people that realization of their program will raise the standard of living to a higher level than realization of any other party’s program. They insist upon the expediency of their plans and upon their utility. It is obvious that they do not differ from one another with regard to ends but only as to means. They all pretend to aim at the highest material welfare for the majority of citizens.”

[There is] a myth propagated by many popular books. According to these myths, contemporary man is no longer motivated by the desire to improve his material well-being and to raise his standard of living. The assertions of the economists to the contrary are mistaken. Modern man gives priority to ‘noneconomic’ or ‘irrational’ things and is ready to forgo material betterment whenever its attainment stands in the way of those ‘ideal’ concerns. [...] It is hardly possible to misconstrue the history of our age more crassly. Our contemporaries are driven by a *fanatical zeal* to get more amenities and by an *unrestrained appetite* to enjoy life (Mises 1998: 314, emphases added).

There is also in Mises an implicit (and sometimes explicit) conclusion that might very well motivate many interventionist measures. This concerns a higher awareness of the actual costs of such interventions. A lot of Mises’s reasoning is built on an assumption that people are often unaware of those costs, and sometimes one gets the impression that on account of this he wants to, so to speak, play it safe and recommend a minimal state without further ado. But in certain places he speaks in a more pragmatic tongue, for example when he says that

[t]here are certainly cases in which people may consider definite restrictive measures as justified. Regulations concerning fire prevention are restrictive and raise the cost of production. But the curtailment of total output they bring about is the price to be paid for avoidance of greater disaster. The decision about each restrictive measure is to be made on the ground of a meticulous weighing of the costs to be incurred and the prize to be obtained. No reasonable man could possibly question this rule (Mises 1998: 741).

Thus, it seems that the interventionists may be better able to participate in the discussion about the size of the state if they show an awareness of the effects of the interventions on production and capital formation, but that these effects may be outweighed by other considerations. And in this discussion Mises, again, is hampered by his unwillingness to use quantifications in order to show that these pragmatic considerations are wrong.

Furthermore, one should mention the argumentative problems brought about by his moral “relativism”. He does not discuss interventions in the free production of goods and services that are based on moral considerations, and frequently he asserts that an intervention should not be approved or denied because it is “good or bad from any preconceived point of view. We merely ask whether or not it can attain those ends which those advocating and resorting to it are trying to attain” (Mises 1998: 729). And the ensuing argument is built on the “fact” that those who enact the policies are mostly interested in higher material wealth.

Thus, to the degree that the goals of politics are built on other types of ethical considerations, Mises's argument seems to lose in strength. Is it, for example, correct to assume (which Mises sometimes does) that people usually do not have any reasons to give up any advantages in order to favor another group than one's own? He writes:

It is, of course, possible to protect a less efficient producer against the competition of more efficient fellows. Such a privilege conveys to the privileged the benefits which the unhampered market provides only to those who succeed in best filling the wants of the consumers. But it necessarily impairs the satisfaction of the consumers. If only one producer or a small group is privileged, the beneficiaries enjoy an advantage at the expense of the rest of the people (Mises 1998: 312).

One must, at this point, ask whether it is completely unrealistic to assume that the "consumers" are willing to forgo some increases in standards of living (and in exceptional cases they may even be willing to lower their present standard) in order to protect certain producers. This might, for instance, be producers who are engaged in production that one thinks has a special "cultural" significance (farmers who keep the traditional agricultural landscape open might be one example). When these kinds of values enter the picture Mises's argumentation is more difficult to support.

Moreover, his economic theory does not seem to support the conclusion that a system of privileges for specific groups will not function in the long run. In this case he apparently has to resort to a hypothesis about political degeneration: "[a]s soon as it is possible to forward private interests in this way and to obtain special privileges, a struggle for pre-eminence breaks out among those interested. Each tries to get the better of the other. Each tries to get more privileges so as to reap the greater private gain." It may be hard to deny that certain groups enjoy "privileges" in the welfare states of today, but usually these groups do not multiply to the extent that they put the political system on the verge of collapse (although there may exist certain states that approach this type of collapse due to fiscal mismanagement, corruption, and the like). Furthermore, one wonders how Mises will be able to argue for the (democratic) realization of "capitalism", if it is the case that "there are no individuals and no classes whose particular interests would lead them to support Capitalism as such" and that a backwards march to capitalism "would be at first and in the short run detrimental to their [supporters of interventionism etc.] particular interests" (Mises 1962: 229f, 504).

What one can say about Mises is that he is rigorous when it comes to building his praxeological theory, but that he is much less rigorous in defining concepts that can be applied to actually existing systems. This becomes highly problematic since his praxeological theory in itself does not entail much in terms of real politics (see ch. IV). Still, Mises's writings are meant

to function as a highly political doctrine. But his lack of conceptual rigor can only mean that the doctrine must function largely as a *rhetorical* doctrine. And I believe that the rhetorical “value” of the doctrine is highly dependent on the context in which Mises formed his conceptual scheme. He first became a known figure in connection to the debate on the possibilities of economic calculation in a socialist society. This was during the time between the World Wars – a time in which the choices between different ideologies to a large degree seemed to rule out the middle-of-the-road alternative. Mises’s first major contribution to the socialism-capitalism debate came not long after the Bolshevik takeover in Russia, and this very event polarized much of the discussion: “[t]o the capitalists, moderate socialists were often identified with the communists; to the communists on the other hand, the socialist [social-democratic] parties seemed the worst kind of bourgeois lackeys” (Vaizey 1980: 183).

In this context “capitalism” itself seems to have been devised as a counter-concept, in juxtaposition to Bolshevik socialism. The problem is, thus, whether capitalism, defined as a counterconcept to socialism, has any historical transferability. The world after the Second World War was a different place from the interwar period, and the world after the fall of the Soviet bloc is more different still. “Capitalism” can no longer be seen as the opposite of “socialism”, since very few people today see the kind of socialism that Mises discussed in the calculation debate as a real alternative. Most people live with interventionism, and in order to win against *that* enemy the Misesians have to make more rigorous distinctions between capitalism and interventionism *and* develop the normative arguments for capitalism. Until then, they seem to be stuck in the pre-1989 (or perhaps even pre-1945) logic in which Mises’s thoughts were formed and developed. For most people “capitalism” is defined in such a way that most of the industrialized states of today are capitalist (e.g. Bowles 2007: 1). In such a world, a theory built on the fight against socialism and something called “interventionism” (which most people would regard as a sort of capitalism) may not be an effective tool for political change.

Final Remarks

What I have tried to do in this chapter is to point to some problems with Mises’s ethical position and to suggest some different interpretations of opaque points. As we have seen it is not entirely easy to say whether Mises is a clear-cut preference utilitarian or something of a crypto-hedonist. In neither case, however, does he make a convincing case that *laissez-faire* is the policy that *maximizes* either preferences or happiness. In the case of preferences it is mainly because he does not have an entirely convincing

theory about what people's preferences actually are. In the case of happiness he does not have a method of operationalizing and measuring it; but if we are to believe some of the researchers (among them are economists) that have delved into the phenomenon of happiness in recent years, *laissez-faire* policies (at least not in all areas of political life) does not seem to be the most efficient solution to the problems of our age (but of course, socialism is not the solution either – thus far most scholars would probably agree with Mises).

And perhaps it is because of these problems that many other Austrians have chosen to lean on other ethical theories. To illustrate this, we might conclude this chapter with Rothbard's critique of Mises's utilitarianism.¹⁴⁶ First, we may notice that Rothbard (in the *Ethics of Liberty*) forestalls the point that I was making in chapter IV, namely that there is not much Mises can say about what policies are desirable as a *praxeologist*. But Mises manages to escape "the self-contradiction of being a value-free praxeologist advocating *laissez faire*" by adding the *value* of majoritarian preferentialism. But, Rothbard goes on, "Mises's system is a curiously bloodless one; even as a valuing *laissez-faire* liberal, he is only willing to make *the one* value judgment that he joins the majority of the people" and champions "the desirability of fulfilling the subjectively desired goals of the bulk of the populace". But here Rothbard has some comments similar to mine, namely that, for instance, "a majority coalition [...] might well opt for *some* reduction in wealth and prosperity on behalf of [...] other values". But "[w]hat can Mises reply to a majority of the public who have indeed *considered* all the praxeological consequences, and still prefer a modicum – or, for that matter, even a drastic amount – of statism in order to achieve some of their competing goals?" Of course, he can try to use his *ad hoc* hypothesis about the long term untenability of interventionism, but according to Rothbard that is not a satisfactory answer either: "While many or most programs of statist intervention – especially price controls – are [...] cumulative, others are not. Furthermore, the cumulative impact takes such a long time that the time-preferences of the majority might well lead them, in full acknowledgment of the consequences, to ignore the effect. And then what?" (Rothbard 1998: 210-12).

Thus, even if we take the standpoint of Rothbard, – one of the most "hard-core" Austrians, and one of the most ardent defenders of Mises (albeit not in ethics) – Mises does not seem to have a very strong case when it comes to advocating complete *laissez-faire*.¹⁴⁷ One can only agree with Rothbard when

¹⁴⁶ Cf. also Hoppe 2006: 339f.

¹⁴⁷ Cf. Hoppe (2006: 124n): "Mises does not give systematic status to class analysis and exploitation theory because he ultimately misconceives of exploitation as merely an intellectual error which correct economic reasoning can dispel. He fails to fully recognize that exploitation is also and probably even more so a moral-motivational problem that exists regardless

he says that “neither praxeological economics *nor* Mises's utilitarian liberalism is sufficient to make the case for laissez faire and the free-market economy” (Rothbard 1998: 214).¹⁴⁸ In that quote Rothbard confirms my conclusions in both chapter IV and chapter V. But the question is: does Rothbard (or Hoppe) have a good alternative when it comes to providing a morality that will support *laissez-faire* conclusions?

of all economic reasoning. Rothbard adds his insight to the Misesian structure of Austrian economics and makes the analysis of power and power elites an integral part of economic theory and historical-sociological explanations; and he systematically expands the Austrian case against exploitation to include ethics in addition to economic theory, i.e., a theory of justice next to a theory of efficiency, such that the ruling class can also be attacked as immoral.”

¹⁴⁸ Although I think that Rothbard's critique on these points is correct, I might refer to Gunning (2005), for an account of someone who thinks that Rothbard misinterpreted Mises when he criticized him. See also Block's (2005) critique of Gunning.

VI. The Anarchists: Murray Rothbard and Hans-Hermann Hoppe

In this chapter I will analyze the ideas of two of the main proponents of modern “anarcho-capitalism”, namely Murray Rothbard and Hans-Hermann Hoppe. Rothbard is surely the best known of the two and his influence on American anarchists and libertarians has probably been great, at least since the 1960s.¹⁴⁹ Hoppe appears as a wholehearted disciple of Rothbard, but he is not merely reiterating the arguments of his mentor; on the foundational level he has put forward a more sophisticated defense of the ethical principle that underpins the anarcho-capitalistic world-view. To treat them in the same chapter (and as something of an organic unity) seems quite natural, however. In line with my other ethical analyses in this dissertation I will not attempt to present a well-rounded picture of the philosophies in question, but rather focus on the questions that I find most interesting and important. A more general discussion of Rothbard can be found in Barry (1986: ch. 9). I do not know whether any general exposition of Hoppe’s philosophy is available in any serious work, but when it comes to the political applications he is very similar to Rothbard.

The attempt to ground a political outlook on self-ownership (which is what Rothbard and Hoppe is doing) is of course nothing new, and a lot has been written on the main thinkers in that tradition (I am, of course, mainly speaking of Locke and Nozick). So one might ask if there are not already many counterarguments that may be transferred (*mutatis mutandis*) from those studies to the present. In the cases of Locke and Nozick the answer is largely negative. This is because Rothbard and Hoppe have their own reasons to champion self-ownership. In the case of Locke it is mainly a question of connecting self-ownership to “God’s plan” for humanity (Gough 1950: 76-79; Shapiro 1991: 49-50), and in Nozick self-ownership is simply asserted as

¹⁴⁹ Rothbard is often described as the person who managed to breathe life into an anarcho-capitalistic world-view that had been “invented” by Gustave de Molinari in the 1840s, but had mainly lain dormant until the second half of the twentieth century (and it was only then that “extreme” liberalism started to call their position “anarchist”, because earlier the term had been too connected to the extreme left and figures like Proudhon and Bakunin) (Hart 1981: 273; 1982: 88).

intuitively appealing¹⁵⁰ (the reliance on the *intuitive* appeal of self-ownership also seems to be prominent in G. A. Cohen's thought).

As we shall see in the following, Rothbard and Hoppe have other ways of arguing for the thesis of self-ownership. Now some critique of the *applications* of the self-ownership thesis might be equally applicable when it comes to Hoppe and Rothbard, on the one hand, and more well-known libertarians on the other, and that is one of the reasons why we need not focus particularly much on that issue in the present study (although it should be mentioned that Rothbard and Hoppe escapes some of the difficulties that are commonly discussed in connection to Locke, because they do not use his famous "proviso", which states that since the world is owned by everyone before any appropriations have been made, those who do appropriate a part of it must not make anyone worse of than before the appropriation. Rothbard and Hoppe instead assume that the world is initially unowned rather than owned by all.)

Anyway, if it is (still) true that the libertarian aim of providing a *secularized* version of Locke's self-ownership thesis basically relies on intuitions or vague Kantian notions, and that "it is an open secret that where these rights come from is never fully accounted for" (Shapiro 1991: 55), then I think this chapter will provide a discussion about self-ownership that will broaden the view as to how these rights may be construed (regardless whether the solutions discussed here turn out to be successful or not).

Rothbard

As already mentioned, Rothbard's political philosophy is anarchistic. His ideal society is one where *everything* is privately owned (excepting undiscovered or abandoned things that are, so to speak, waiting for a new claimant to come along) and where punishments for violations of people's (natural) rights are handled by private organizations. According to Rothbard everyone has the right to do what they want with the things they own (whether it be land, newspapers, or their own bodies) as long as they do not violate other people's equal rights (to what *they* own). In other words, Rothbard does not view the state as a morally legitimate institution (since its essence is the use of force), and this he proves by evoking the presumed natural right of self-ownership. Presumably the argument is the more forceful the more he is able to convince us that the ethical postulate of self-ownership is no mere "pref-

¹⁵⁰ And when readers of Nozick have attempted to find out just why Nozick seems to support self-ownership, it is usually a question of some Kantian notion of not treating other people as means (e.g., Kymlicka 2004, ch. IV), which is not really applicable to Rothbard and Hoppe.

erence” of his, but a provable, rational, objectively valid principle.¹⁵¹ What is most interesting therefore – I think – is to investigate his claims about the “absolute” character of this ethical postulate; his metaethical views, that is. Another route would of course be to leave the principle of self-ownership as it is and see whether he presents a coherent political philosophy based on it. As for myself, however, I am more interested in the foundations of ethics than the process of finding out if particular policies follow “logically” from given foundations.¹⁵² (And one reason to be interested in the ethical foundations of the theory, rather than the applications, will become apparent in connection to the discussion on democracy – and that section also illustrates why political theorists should take more interest in metaethics.)

Thus, the interesting question is what reasons are provided for the acceptance of a particular fundamental principle rather than another. In the case of Rothbard I think this question is particularly interesting, because his political philosophy is based on the objective truth of self-ownership – it is on account of this objectivity that, for instance, a numerical majority can not legitimately force its will upon a minority. This, of course, separates him from his mentor Mises, in that the latter did not claim any objective validity for his ethical principles and did not hold out any other political ideals than that of a democracy (where, preferably, the electorate is sufficiently economically “enlightened” to vote for *laissez-faire* policies). This means that it is less interesting to investigate the *justification* of Mises’s ethical axioms than other aspects of his political philosophy (such as his empirical claims), because he does not claim that his ethics is objectively better than that of other people (rather, the question of what ethical view should guide politics is settled by counting heads). For Rothbard, on the other hand, the “absolute” character of his ethics is *the cornerstone* of his whole political outlook. If the critical point in Mises’s political philosophy is his empirical assumptions about proper means to attain given (and mostly unanalyzable) ends, then in Rothbard it lies elsewhere, namely in his metaethics and in the argument he uses to justify his fundamental ethical postulate. These considerations have guided my reading and analysis of Rothbard.

The main source is his 1982 book *The Ethics of Liberty*, which for some Austrians provides the piece that was missing in Mises: the moral framework that, so to speak, completes the case for the truly free economy. Indeed, Rothbard himself writes in this book that he

¹⁵¹ The attempt to provide a more “secure” foundation for an ethic of rights (rather than simply laying out the consequences of such a postulate) is something that separates Rothbard from someone like Nozick (the former criticizes the latter for this in Rothbard 1998: 252).

¹⁵² In other words, I am taking a slightly different route from the one chosen by Barry (1986), who bases his investigation on the view that “[w]hat is interesting is the radical conclusions that Rothbard draws from the ethics of capitalism rather than his derivation of the ethics themselves” (p. 176). In my own analysis this view is turned upside-down.

at no time [had] believed that value-free analysis or economics or utilitarianism (the standard social philosophy of economists) can ever suffice to establish the case for liberty. Economics can help supply much of the data for a libertarian position, but it cannot establish that political philosophy itself. Political judgments are necessarily value judgments, political philosophy is therefore necessarily ethical, and hence a positive ethical system must be set forth to establish the case for individual liberty (Rothbard 1998: xlvii).

So what Rothbard is attempting to do is to justify self-ownership-based anarchism by appealing to natural law. This “law” must, according to him, in turn be based on a “rational” (rather than theological) study of the “nature” of human beings. It seems that the first step here should be to understand what Rothbard means by “nature” and “law”. Nature, he says, is not a mystical concept: “An apple, let fall”, he writes, “will drop to the ground; this we all observe and acknowledge to be *in the nature* of the apple (as well as the world in general)”. In other words, the “structure” of natural law is built upon observable causes and effects in different “entities”. The controversial idea in Rothbard is, of course, not about observable “behavior” in apples, stones, and the like. Most people would agree that there are physical laws governing them; the “nature” of those objects can, then, be established by scientists. But, asks Rothbard, “is man the only entity, the only being, that cannot have” a nature? “And if man does have a nature, why cannot it too be open to rational observation and reflection?” (Rothbard 1998: 9, 10).

Among the most interesting questions that spring to mind are the following: what is, then, the nature of human beings? And what is the connection between the supposed fact of this nature and normative ideals? Let’s deal with those two questions in that order.

Rothbard’s method of finding out what human nature is, is to start out with an abstract situation, a “Robinson Crusoe situation”, where one person is isolated together with (non-human) nature. Later on, more persons can be added to the situation, and further down the line conclusions about the “real world” can be made. This model is one that he adopts from praxeological economics, but he thinks that it is relevant for social philosophy too. So what is it about this Crusoe that makes him essentially human? The facts about him are the following (I am mostly using Rothbard’s exact phrasings): (1) he finds himself with the primordial fact of his own consciousness and his own body; (2) he finds a given natural world around him; (3) he finds that he does not possess any innate instinctual knowledge impelling him into the proper paths for the satisfaction of his needs and desires; all knowledge must be learned by him; (4) he comes to learn that he has numerous ends, purposes which he desires to achieve, many of which he *must* achieve to sustain his life (Rothbard 1998: 29f).

Thus, being a human being with the above “nature” the task at hand for Crusoe is to “(a) choose his goals; (b) learn how to achieve them by using nature-given resources; and then (c) exert his labor energy to transform these resources into more useful shapes and places”. This process is what Rothbard calls using reason; it is “man’s instrument of knowledge and of his very survival”, and it is the uniquely *human* method of existence and of achievement”. And by using reason, Crusoe “learns the *natural laws* of the way things behave in the world. He learns that an arrow shot from a bow can bring down a deer, and that a net can catch an abundance of fish. Further, he learns about his *own* nature, about the sort of events and actions that will make him happy or unhappy; in short, he learns about the ends he needs to achieve and those he should seek to avoid” (Rothbard 1998: 30, 31).

Furthermore, “The individual man, in introspecting the fact of his own consciousness, also discovers the primordial natural fact of his freedom: his freedom to choose, his freedom to use or not use his reason about any given subject. In short, the natural fact of his ‘free will.’ He also discovers the natural fact of his mind’s command over his body and its actions: that is, of his natural *ownership* over his self”. Crusoe also finds “virgin, unused land on the island; land, in short, unused and uncontrolled by anyone, and hence *unowned*”. He can, however, mix his labor with the soil (Rothbard is of course using Locke’s phrasing), and thus convert the unowned land into owned land (that is, owned by Crusoe). “Hence”, writes Rothbard, “the isolated man *owns* what he *uses* and *transforms*”. And as a consequence it is the case that “[a]s long as an individual remains isolated, then, there is no problem whatever about how far his *property* – his ownership – extends; as a rational being with free will, it extends over his own body, and it extends further over the material goods which he transforms with his labor”. It also follows from this – since “ownership” is all about control of resources – that Crusoe could not have “owned” the whole of a vast uninhabited continent by claiming ownership the second he landed on the beach, “[f]or the natural fact is that his true property – his *actual control* over material goods – would extend only so far as his actual labor brought them into production” (Rothbard 1998: 31, 34).¹⁵³

The addition of more people unto Crusoe’s island highlights some more natural laws of human interaction, primarily some facts about exchange. Exchange, in Rothbard’s words, is “essential to man’s prosperity and survival”, and it is facilitated by that facts that there is “great variety of skills and interests among individual persons” and a “variety of natural resources in geographic land areas” (Rothbard 1998: 35). Hence, if all people (living at

¹⁵³ By the same token it seems to be true by definition that “[l]and in its original state is unused and unowned” (Rothbard 2002: 35), since ownership (as apart from ownership *rights*) is all about control (or initial use).

the present time) would suddenly be forced to produce everything they need for themselves, chaos and starvation would ensue.

In exchanging commodities, furthermore, rights of ownership are transferred from one person to another. It is interesting, though, that at this point in the *Ethics of Liberty*, Rothbard does not simply speak of transfer of ownership (which, as you recall, is basically defined as control of “things” – a purely technical term used to describe a certain pattern of observed behavior), but transfer of *rights* of ownership. Presumably, he has introduced a *normative* concept here, since the concept of “ownership” by itself previously has been defined as the *fact of control*. The addition of *right* of ownership seems to imply something else than the actual fact of ownership as control (or else it would be an unnecessary tautological addition). Presumably we may all agree that Crusoe may have ownership of a strip of land, in that he physically controls it (just as we may all agree that he “owns” his body in the sense that his mind has “command over his body and its actions”), but that he *should* also *continue* to have control over the land under all circumstances is still an open question that requires some justification. In other words, why is it always forbidden to oust him from the land he “owns” (as a matter of fact controls)? This is, of course, a crucial point, since the *most important* aspect of Rothbard’s political philosophy is how he moves from the descriptive to the normative when it comes to ownership as actual *control* and ownership as (absolute) *rights*. In other words, our task must be to unpack a sentence like the following: “Since the nature of man is such that each individual must use his mind to learn about himself and the world, to select values, and to choose ends and means in order to survive and flourish, the right to self-ownership gives each man the right to perform these vital activities without being hampered and restricted by coercive molestation” (Rothbard 2000: 97). But I will return to this point later; first we must finish the investigation of the *description* of human nature.

It seems that it is perfectly possible to accept Rothbard’s account of “the nature of man” without committing to any specific normative view. As we have seen he (initially, at least) defines ownership in a way that is perfectly factual, in terms of control over resources, and in terms of command over one’s own body when it comes to self-ownership. What Rothbard began by doing was making some observations about facts concerning human beings, and I do not think it is necessary to quarrel with his description. The problem is, perhaps, that the account of human nature we have encountered so far does not seem to be complete. Rothbard correctly observes that it is possible to get ownership over things voluntarily by either mixing one’s labor with unowned resources or by transferring ownership between persons through exchange (preferably with the assistance of money). He also observes that ownership can be transferred by gifts. A society in which ownership is acquired only through original acquisition, voluntary exchange, or gifts, Roth-

bard labels a “free market”, a “free society”, or a “society of pure liberty” (Rothbard 1998: 40f).

But there is also, of course, the question of coercion. Is that also part of human nature? Rothbard contrasts voluntary interpersonal relations with “aggressive violence”, which he defines as the “invasion [...] against a man’s property in his person (as in the case of bodily assault), or against his property in tangible goods (as in robbery or trespass)”. If we are interested in *descriptions* of human nature it seems that we cannot without difficulty deny that it is a fact that people sometimes use violence (in a broad sense) to get what they want. This we can observe, just as we can observe that apples sometimes fall to the ground. And as Crusoe may practice peaceful exchange with Friday he may also say to him that he will hit him on the head if he does not work one day of the week on his plantation.¹⁵⁴ Is Crusoe an “unnatural” human being in this case? Rothbard seems to think so; he says that each man “[b]y virtue of being a man, [...] must use his mind to adopt ends and means; if someone aggresses against him to change his freely-selected course, this violates his nature; it violates the way he must function” (Rothbard 1998: 45, 46f). In other words, if I have decided to go out for a walk and my sister stops me at the door, saying that she will hurt me if I attempt to leave the house (perhaps she is afraid I will spend my money on foolish things), then she is “violating my nature”; she is doing something that is not “in the nature” of human beings. So, it seems that there are two classes of actions people can make: *natural actions*, which concern freely-chosen ends and means, and *unnatural actions* which concern the thwarting of other people’s natural actions. Both are subsets of the broader concept of what we might call *possible actions* (but which, I think, many people would actually call natural actions¹⁵⁵), that is, actions that all human beings evidently can perform. Thus, killing someone is a possible action and an unnatural action, but not a natural action. Making a voluntary transaction is a possible action, a natural action, but not an unnatural action.

Why is this distinction so important for Rothbard? Well, if he equated natural actions with possible actions (like some alien biologist observing human behavior would probably do) then it seems he would not be able to draw any *normative* distinctions based on human nature. He would not be able to say that “the man who seizes another’s property is living in basic contradiction to his own nature as a man” (Rothbard 1998: 50). But since he is only talk-

¹⁵⁴ Or to use Rothbard’s (1998: 47) way of putting it: Friday “may, like Crusoe, become a producer, transform unused soil by his labor, and most likely exchange his product for that of the other man. In short, he may engage in production and exchange, in also creating property. Or, he may decide upon another course: he may spare himself the effort of production and exchange, and go over and seize by violence the fruits of Crusoe’s labor.”

¹⁵⁵ Cf. Willoughby (1896: 103f): “Man is himself a part of Nature, and his actions, whatever they may be, are necessarily ‘natural.’ In fact, to state that a thing *is*, is equivalent to stating that it is *natural*”.

ing about natural actions as a subset (namely those that are voluntary) of all possible human actions it seems that the above statement is true by definition. The man who seizes another's property is indeed performing an "unnatural" action. So, to sum up, if we were to describe human action in general, all possible actions (which might be anything from systematically murdering people to giving flowers to someone you love) can be broken down into two categories: natural actions, which are voluntary, and unnatural actions which violently interferes with natural actions. As observers of human behavior, we may not have to quarrel with these categorizations. If we want to escape normative connotations (or "persuasive definitions"), we might call the types P-actions, N-actions, and U-actions, or the like.¹⁵⁶

Still, we have not yet moved into the domain of *ethics*. The first step has been to establish "objectively" what human nature is. The second step, for Rothbard, is to establish that what is natural is also *good* (and that the unnatural is *bad*¹⁵⁷). How do we determine that something is good or bad? According to Rothbard "the natural-law ethic states that goodness or badness can be determined by what fulfills or thwarts what is best for man's nature" (Rothbard 1998: 11). It seems that he is, so to speak, pointing at a certain type of actions, saying "those are good!", and pointing at other actions, saying "those are bad!" Now the crucial thing for Rothbard is that he claims to provide *rational* justifications for this type of "pointing".¹⁵⁸ It is something else than feeling or intuition that makes him single out N-actions as good and U-actions as bad. In other words, he wants his ethic to be a "rational" ethic; and

¹⁵⁶ It is interesting to note, however, that in an earlier essay Rothbard does not make this distinction between natural and unnatural actions. Instead he argues that (extreme) egalitarianism is "unnatural" because it is simply not *possible*. Here he is, in other words, using "natural" and "unnatural" in a more "biological" sense. Thus, he writes the following: "If an ethical ideal is inherently 'impractical,' that is, if it *cannot* work in practice, then it is a poor ideal and should be discarded forthwith. To put it more precisely, if an ethical goal violates the nature of man and/or the universe and, therefore, *cannot* work in practice, then it is a bad ideal and should be dismissed as a goal. If the goal itself violates the nature of man, then it is also a poor idea to work in the direction of that goal" (Rothbard 2000: 5).

One can, of course, understand why Rothbard revises this stance in later works (and, indeed, in a later essay in the above-mentioned book), because there are obviously a lot of political solutions that are *possible* in the "physical" sense; hence the later distinction between "natural" (voluntary) actions and "unnatural" (coercive) actions (both of which are physically *possible* types of action).

¹⁵⁷ Hence, *possible* actions may be either good or bad; we cannot decide this until the action has been placed in the correct subcategory.

¹⁵⁸ Casey (2013: 43) does, however, seem to think that a basis in "observation" about human nature is enough to make Rothbard's theory "sufficiently robust". According to Casey, there is "nothing obviously idiotic in attempting to discern the qualities and properties of a given species that are more or less essential to that species." He claims that we can observe the "characteristic" behavioral patterns of a species and regard those as (normatively) "natural". However, this just seems to raise the same objections as those already brought up: is not coercion to some degree "characteristic" of human behavior?

thereby true in some sense (making other kinds of normative statements *false*).

The method he uses to make this case is to appeal to what he perceives as the necessary structure of an “ethical” argument. For one thing, he asserts that a moral statement is true if the person who is trying to refute it cannot logically refute it without confirming it. Thus, a statement like “human life is valuable” cannot be refuted, because the person who is refuting it is obviously alive, and thereby she is, presumably, valuing at least her own life (otherwise she would not have kept herself alive). So Rothbard establishes that the continuation of life (and health¹⁵⁹) is good, and by the same token he establishes that, for example, the willful and conscious use of poisonous substances is (objectively) immoral.

The second feature of ethics, according to Rothbard, is that it must be *universal*: “if we are trying to set up an ethic for man (in our case, the subset of ethics dealing with violence), then to be a valid ethic the theory must hold true for all men, whatever their location in time or place” (Rothbard 1998: 42); or – as he writes in *For a New Liberty* – the right of self-ownership “can apply to Neanderthal cavemen, in modern Calcutta, or in the contemporary United States”, whereas “a ‘right to a job’ or to ‘three meals a day’ or to ‘twelve years of schooling’ cannot be so guaranteed” (Rothbard 2002: 135). More importantly, a valid ethic must be applicable to every human being at the same time; if I claim that person X has the right to *a*, then person Y must also have the right to *a*. But if X claims, for example, the occupation of a specific seat at a football game, then both X and Y cannot have the right to it at the same time (i.e., only the person who owns the seat, or has temporarily hired it from the owner can have a right to it).¹⁶⁰

This universalistic account of ethics also (and to my mind less plausibly) demands that rights have to stay the same no matter what type of society one is living in; thus, Rothbard claims that the “right” to, for instance, a “living wage” is a “spurious” right because it both “requires positive action on the part of other people, as well as the existence of enough people with a high enough wealth or income to satisfy such a claim” (Rothbard 1998: 249). Anyway, Rothbard’s free society (where only natural actions are allowed) seems to satisfy the discursive conditions he sets up; it rules out the right to ownership of the same object by two people at the same time and it can be

¹⁵⁹ It seems, though, that the continuation of health cannot be a moral *axiom*, since it is possible to refute it. I may not (using Rothbard’s metaethical framework) be able to claim that life is bad because I must be alive to claim that, but I must not be in full health to make an ethical argument.

¹⁶⁰ By the same token a parent “should not have a *legal obligation* to feed, clothe, or educate his children, since such obligations would entail positive acts coerced upon the parent and depriving the parent of his rights” (Rothbard 1998: 100). In other words, it cannot be the case that the child can have a right to obtain ownership in things that are already owned by the parent.

implemented at all times in human history. More importantly, he claims that it is the *only* society that satisfies the condition.¹⁶¹

Thus, Rothbard claims that natural actions are good because they satisfy his rules about what an ethical argument is. Now we must not let language lead us astray; to see the structure of the argument more clearly we should probably say that Rothbard claims that N-actions have g-quality (they are “good”) because they satisfy R-rules (Rothbard-rules), and that U-actions have b-quality (badness) because they do not satisfy R-rules. The crucial question seems to be the following: why live my life according to R-rules? In other words, why should I follow an “ethic” (as Rothbard defines it)? Rothbard is exclaiming “R-rules, hurray!” Why should we join him? The only reason Rothbard seems to provide is that other courses of action seem to be self-defeating. The person who breaks Rothbard’s natural law is not only hurting someone else, but also him- or herself, because

man can *only* live and prosper by his own production and exchange of products. The aggressor, on the other hand, is not a producer at all but a predator; he lives *parasitically* off the labor and product of others. Hence, instead of living in accordance with the nature of man, the aggressor is a parasite who feeds unilaterally by exploiting the labor and energy of other men. Here is clearly a complete violation of any kind of universal ethic, for *man* clearly cannot live as a parasite; parasites must have non-parasites, producers, to feed upon. The parasite not only fails to add to the social total of goods and services, he depends completely on the production of the host body. And yet, any increase in coercive parasitism decreases *ipso facto* the quantity and the output of the producers, until finally, if the producers die out, the parasites will quickly follow suit (Rothbard 1998: 50).

Now it is surely strange to claim that it is not possible for *some* individuals to live as “parasites”. Isn’t that the system we have had throughout most of recorded history? Is this system good or bad? If we were to follow Rothbard’s definition this system has badness, or the b-quality. But the question seems to remain whether this system is *desirable* or not. Since the b-quality is about purely “technical” non-accordance with R-rules, badness is no longer a *normative* concept. We can still use a version of the old open-question-argument: yes, the libertarian society is “good”, but is it desirable? (or even

¹⁶¹ I will not challenge the claim that his society is the only one that meets these conditions, since I am mostly interested in the reasonableness of the conditions themselves. Apart from that, it seems that, for example, a utilitarian ethic would satisfy the conditions, at least insofar as it is always possible to strive for the maximization of happiness no matter how poor a society is (the first condition about simultaneous rights is less important, since utilitarians are not interested in (moral) rights).

more poignant: libertarianism is “good”, but is it *good*?). What Rothbard is trying to do is to establish libertarianism by definitional fiat (or perhaps “linguistic decree”¹⁶²) alone. A certain class of actions is distinguished from other actions because of certain features, and these features are described with a certain adjective because of certain predefined discursive rules. What is missing is the expression of norms. At some point a “hurray” is inserted to complete the normative argument. So, by virtue of Rothbard’s “hurray” we are supposed to say “hurray” too!

A further difficulty is that Rothbard makes a clear distinction about *morality* and *rights*. In other words, you have the *right* to do what you want with what you own, but whether your actions are *moral* or *immoral* is irrelevant for political philosophy¹⁶³ (but he is not always consistent in making this distinction). This means that it is still harder to understand why we should say “rights, hurray!”, but “morality, who cares?” (in the “political” context, at least). In other words, rights are absolute, but morality is optional. To quote one of Rothbard’s examples:

[S]uppose that A, B, C, D . . . etc. decide, for *whatever reason*, to boycott the sales of goods from Smith’s factory or store. They picket, distribute leaflets, and make speeches – all in a non-invasive manner – calling on everyone to boycott Smith. Smith may lose considerable income, and they may well be doing this for trivial *or even immoral reasons*; but the fact remains that organizing such a boycott is perfectly within their rights, and if Smith tried to use violence to break up such boycott activities he would be a criminal invader of their property (Rothbard 1998: 77, second emphasis added).

It seems that if the protesters are boycotting Smith for immoral reasons, then should we not say that they have a moral duty to stop boycotting, and perhaps that we are justified in forcing them to stop? In other words, why do Rothbard make this distinction between rights and morality? It seems that his discursive rules for “ethics”, concerns rights only, which makes the question “why be ethical, when you can be moral?” pertinent. And indeed, Rothbard himself seems to claim that moral duties are more far-reaching than ethical duties (rights). Although he asserts that the law may not compel a parent to feed her child, he adds that “whether or not a parent has a moral rather than a legally enforceable obligation to keep his child alive is completely separate

¹⁶² Joyce 2004: 81.

¹⁶³ cf. Rothbard (1998: 258): “[A] libertarian philosophy [...] must say that liberty is the ‘highest political end’ [...]. Highest *political* end, of course, does not mean ‘highest end’ for man in general [...]. *Political* philosophy is that subset of ethical philosophy which deals specifically with *politics*, that is, the proper role of *violence* in human life”. Again, we see Rothbard attempting to establish what “politics” is (or should be) by definitional fiat alone.

question” (Rothbard 1998: 101).¹⁶⁴ In fact, he claims, for example, that “a parent may be a moral monster for not caring for his child properly, but the law cannot compel him to do otherwise” (Rothbard 2000: 153).

So the question is, why not force people by law to do the *moral* thing (e.g., forcing parents to feed their children) rather than the *ethical* thing (respecting the parents’ natural rights)? Why accept a system that may produce “moral monsters” as long as no “natural” rights are violated? Rothbard’s political philosophy is, in other words, an extreme example of prioritizing the right over the good (although we have to keep in mind that Rothbard himself is mostly using the word “good” to mean “in accordance with rights”).

In conclusion, I think Rothbard has a strange idea of what *politics* is. If he had remained true to a purely praxeological framework (in line with Mises) he would probably have subscribed to the view that the world consists of individuals with preferences who are, so to speak, bouncing against each other, nothing more, nothing less.¹⁶⁵ We can describe how these individuals necessarily behave (praxeological and physical laws) and how they contingently behave (positive laws). The first set of laws is *always* valid, it is logically and/or physically impossible to break those laws. The second set is (usually) set up by force by those who have the power. We may have our own tastes when it comes to their use of that power, but that is simply not a scientific question. Our tastes, moral or otherwise, cannot be said to be true or false. And along comes Rothbard, claiming that “natural law” can provide an *objective* standard of goodness, which can be contrasted with positive law. Democratic voting (or fascist proclamations for that matter) does not (barring some very fortunate coincidence) establish good laws; those can only be discovered by reason. For Mises, there may be prudent or imprudent laws depending on how skilled the voters are in choosing the best means to reach their ends; but whether the ends themselves are good or bad cannot be established by reason. Rothbard, on the other hand, claims that there are both personal moral principles (of the kind Mises is talking about) and natural rights, which can be objectively determined (and must therefore be the basis

¹⁶⁴ He also “readily concede[s] the gross immorality of spreading false libels about another person. But we must, nevertheless, maintain the legal right of anyone to do so” (Rothbard 1998: 127). Other things he seem to regard as immoral but not unlawful is the breaking of promises (as distinct from contracts) (ibid., 133f) and parenting that does not provide such things as food and shelter, nor impart self-discipline and valuable life-skills (Rothbard 2000: 150-153).

¹⁶⁵ And it is interesting to contemplate how a strict adherence to methodological individualism (which is a cornerstone of Austrian economics) squares with Rothbard’s references to “mankind”. It may be profitable for Anne, who is starving, if Bob were to take some money from Camilla, who is very rich, to give to Anne. Still, Bob – according to Rothbard – should not do this because it would be bad for “man” in general. Using the same mode of reasoning, he deems the concept of “society” to be very dangerous, whereas “mankind” is the cornerstone of his ethics (Rothbard 2002: 37-39).

of *political* philosophy). Comparing the two views, Mises's view seems comprehensible, while Rothbard's does not. The latter has not done anything else than promoting his own personal preferences for what I called R-rules of discussion and certain classifications of human behavior.

Furthermore one might ask just why Rothbard thinks the Robinson Crusoe-scenario is a valid starting point for describing man's "nature". As is well-known, another influential account, namely that of Aristotle, starts with the assumption that man is in fact a political animal, in which case it is the *deviations* from political society that should be explained, rather than the other way around – it is Robinson Crusoe who is "unnatural", not the political society that he is estranged from. And from some modern "Aristotelian" political theories, most notably that of Martha Nussbaum, we see that considerations of what is "natural" might well lead to the welfare state instead of anarcho-capitalism. This highlights that Rothbard's idea of what is "natural" is highly selective. In the writings of the early Austrians, most notably Carl Menger (but also in Mises), the Robinson Crusoe heuristic is used in a more technical sense than in Rothbard. The latter turns it in to a morally relevant construct, making a normative example out of a truly exceptional situation.

In the first section of this chapter I have dealt with the ethical foundations of Rothbard's political theory. A large part of the *Ethics of Liberty* is devoted to more practical issues; how a system of punishment can be established in an anarchistic society etc. Since I did not find that Rothbard provides any (objectively) good reasons why we should accept the moral theory behind his anarchism, I did not find it particularly interesting to analyze the more practical aspects. I would like to add however, that insofar as one accepts as an *intuitive axiom* (which is perfectly possible, though it is not exactly what Rothbard is doing) that all coercion is evil (I could not claim that that would be bad morality, other than claiming that it may not be in accordance with *my intuitions*¹⁶⁶) Rothbard is probably more coherent than many other anarchist writers (keeping in mind that most ideological scribblers are not very coherent at all);¹⁶⁷ and Barry (1986: 173) does not seem entirely out of order when he writes that "Rothbard's social thought, quite unjustifiably neglected in the contemporary teaching of social science, represents a remarkable synthesis of economics, politics, jurisprudence and the philosophy of social science [...]. His work constitutes perhaps the most powerful and sophisticated case for individualistic anarchism this century, if not in the entire history of this particular social philosophy". Of course, a theory can be "remarkable" and "sophisticated", even if it is not true – and most of the philosophers

¹⁶⁶ I would like to claim, though, that it would be unreasonable to claim that the anti-coercion principle is *objectively* true and therefore deserves special political privileges (that is, I believe that metaethical noncognitivism *pragmatically* should entail a defense of democracy).

¹⁶⁷ However, one point, for instance, where I am not sure he is entirely consistent is his views on copyright (Rothbard 1998: 123f).

and political thinkers that we study espouse that kind of theories. In that “pantheon” Rothbard may perhaps claim a small place.

Hoppe

The ethical theory of Hans-Hermann Hoppe is quite similar to that of Rothbard (and the political conclusions – the abolition of the state and the establishment of private agencies of protection etc. – are basically the same), albeit more stringent philosophically. Hoppe takes the kernel of Rothbard’s argument (namely the one about the implications of a certain argumentative structure) and sets other parts aside. To exemplify the latter point one can mention that Hoppe has more or less abandoned the talk of what is “natural”. What he proposes (at least according to himself) is a “non-natural-rights approach” to libertarian ethics. As we have seen, Rothbard’s ethic concludes by saying that actions that involve coercion are unnatural, and actions that does not are natural. Hoppe does not use this kind of language (instead he talks about just and unjust actions),¹⁶⁸ which prevents some unnecessary confusion; but in the end he is, of course, making the same kind of argument. So, let’s see whether he argues more convincingly than Rothbard.

The starting point for Hoppe is a certain theory of truth, inspired by Jürgen Habermas and (in particular) Karl-Otto Apel. The theory says that “any truth claim [...] must be raised and settled in the course of an argumentation” (Hoppe 2006: 314). And since we cannot reach any “truths” without being engaged in argument, we must concede that certain conditions must obtain that makes the argument possible. For one thing, in order to be able to argue one must have control over one’s body. Furthermore, the claims made in an ethical argument must also be universalizable.

The second principle (universalizability), however, is a “purely formal criterion for morality”, and by itself it is not enough to establish “valid” moral principles: “if enough attention were paid to their formulation, the most ridiculous norms [...] could easily and equally well [as the non-aggression principle] pass” the universalization test. “For example, ‘anyone who drinks any alcohol will be punished’” is a rule “that do[es] not allow discrimination among groups of people and thus could [...] claim the condition of universalization” (Hoppe 2006: 317).

¹⁶⁸ Cf. Hoppe (2006: 50, emphasis added): “One can acquire property either through homesteading, production, and contracting, or else through the expropriation and exploitation of homesteaders, producers, or contractors. There are no other ways. *Both methods are natural to mankind.*” But see Hoppe 2007a for some uses of the term “natural” which seem inconsistent with the above-mentioned view.

When we combine the first principle (the necessity of control over one's body in order to be able to argue), however, with the second (universalizability), we get the crucial conclusion that Hoppe is after, namely that a specific principle of ownership is *implied* just by the fact that an argument is taking place. In other words, to *justify* something necessarily means a non-coercive cognitive engagement with another human being. So anyone who tries to formulate moral principles that allow (non-retaliatory) coercion against someone is contradicting himself (being engaged in a "performative contradiction"), since in engaging in the argument one has already implicitly conceded that coercion is forbidden. Thus, "the principle of nonaggression [...] can be argumentatively defended as a just norm by means of a priori reasoning" (Hoppe 2006: 13).

And since it is established that one needs to have control over one's body (in, other words, one has to "own" it) in order to argue about morality, it also follows that one has the right to appropriate previously unowned things by using one's body, as well as engaging in any non-coercive activities with other human beings. This is the old Locke-inspired "homestead" principle that both Rothbard and Hoppe adhere to. However, if the homestead principle follows or not from the self-ownership principle I will leave aside, since the soundness of this reasoning is quite irrelevant if we can cast doubt (which I think we can) on the more fundamental principle from which the homestead principle is derived.

To return to the point about the argumentative establishment of truth, we can observe that Hoppe, by reasoning in a certain fashion, claims to have devised "an entirely value-free system of ethics" (Hoppe 2006: 401); he claims, that is, that he has not derived an "ought" from an "is". He has merely stated what is the case, namely that the principle of self-ownership is logically implied as soon as one is engaged in an argument. And since an argument is the only way of getting at the truth, self-ownership must be a true ethical principle.

One question is, of course, whether "truths" are actually established by argumentation. The old question of whether a tree that falls in the forest makes a sound or not may be controversial, but the truth about whether the tree is falling or not seems to be quite independent of human argument. In other words, the truth of the matter is, in this case, not *established* by argumentation. We can make statements in order to *judge* whether something is true or not, but the truth or falsity of the matter does not change whether someone has made the statement or not. "That heat causes a metal to expand is true, even if no one makes this statement" (Kelsen 1991: 171).¹⁶⁹ Not only does not truth depend on statements being made, but it does not even depend

¹⁶⁹ Cf. Nowell-Smith (1954: 28): "The opinions of eminent scientists are ignored at our peril; but if they are true it is because they correspond with facts, not because eminent scientists hold them".

on something being thought. It was true that the earth revolved around the sun before Copernicus thought it or uttered it, or before there were any humans who could think or utter it (ibid.: 229). It would be more accurate to say that we can *confirm* the truth by argumentation (and, more crucial in the present context, the fact that a tree is falling in the forest does not change if I am torturing an innocent child while I am pointing that out). If we apply this to ethics, it should be the case that there are certain value-statements that are true and that we can confirm their truth by argumentation. This would mean something like that the moral truths are somewhere out there and we can discover or confirm them by making observations and discuss our observations; but the facts themselves do not change whether we discuss them or not. By the same token, it seems that we could say that if there are no moral truths independent of our thoughts and arguments, then our thoughts and arguments cannot manufacture such truths.

But this, as we have seen, is not Hoppe's view; it is the argumentative rules themselves that *establish* the ethical truth of self-ownership. What he has done is, obviously, to establish a non-naturalistic¹⁷⁰ metaethical theory; it says that there are moral facts, but that these facts are not natural facts.¹⁷¹ That is, if we accept Hoppe's definition of what "ethics" is (something that

¹⁷⁰ This may not be in exact accordance with how the concept "non-naturalism" is usually employed in metaethics, but it seems to be an apt label to Hoppe's theory nevertheless (partly because he sometimes uses it himself).

¹⁷¹ It is, however, not easy to classify Hoppe and Rothbard according to the most common metaethical concepts. Perhaps one could see them (especially Hoppe) as the most extreme "constructivists". According to Street (2008) thinkers like Rawls might be seen as "restricted" constructivists, in that norms are correct or correct insofar as they can be established through certain discursive procedures, which in turn are "embedded" within "fundamental normative judgments implicit in the public political culture of [in the case of Rawls] a liberal democratic society" (p. 211). In this case it is more a question of finding norms that are "reasonable" rather than "true". When it comes to unrestricted, or "metaethical" constructivism, the embedded normative judgments are dropped, and the *truth* of a norm can be established by comparing it with a foundational norm, as established by the person whose norms we are evaluating. If I, for instance, claim that (1) I have conclusive reason to get to Rome immediately, and (2) getting on a plane is the only way to do so, then I would be morally *mistaken* if I were to conclude that (3) I have no reason to get on a plane. In other words, the establishing of norms is a way of judging oneself. But according to Street, we cannot ascertain whether someone is morally mistaken until she actually makes some first valuation with which we can compare further normative statements. The crucial thing with this theory is that the initial valuation is something that can take many forms and shapes. It can also be withdrawn or amended. And it follows that "a constructivist has no objection to the idea that in some cases the truth value of a given normative judgment will [...] be indeterminate" (p. 236). This is where Hoppe seems to differ, since he thinks that the mere action of making a valuation is itself an expression of a norm (the content of which is unambiguous and can be known *a priori*). So, one may perhaps classify Hoppe as a metaethical constructivist, but the "construction" does not have one iota of open-endedness. As soon as someone tries to utter any sort of argument we establish the *truth* of the foundational valuation. Perhaps we may label Hoppe a non-natural realist and a constructivist; but this is a discussion that I invite more skilled philosophers to take part in.

is established by argumentation only) and what “truth” is, then it seems to follow that it is an ethical (or moral) truth that self-ownership is just. The problem, at least for Hoppe, is that these definitions are far from self-evident. By the same token, we can agree to these definitions, but that just means that we need *additional* reasons why it is *right* to be “ethical”; or why we *should* engage in normative discussion and not leave it until everyone can (or should in principle be able to) agree upon some principle or rule. This critical question of mine can be contrasted with critiques against performative contradictions that are *not* normative. Statements like “there are no statements”, or “I am not alive”, are simply impossible to utter, if one is using words in their established sense. “This type of contradiction becomes obvious in verbal discourse when someone denies what is *required* for her own speech” (Eabrasu 2009: 2, emphasis added). That they are genuine performative contradictions I do not dispute. The argument I am making here is that the (normative) statements Hoppe is talking about are not of that kind. What is necessary is adherence to further (normative) principles to make them at least what one might call *conditional* performative contradictions, in that these contradictions depend on certain preferences of the speaker (which may or may not be explicitly stated).

The question, then, is why we should exchange our personal moral preferences (or perhaps intuitions) for argumentational preferences. If we want to adopt Hoppe’s terminology a principle can only qualify as “ethical” if it can be established through the argumentative rules outlined above (we might – in accordance with the discussion on Rothbard – call them *H-rules*). We might then say: “yes, I agree that my moral preferences are not ethical in that sense, but what reasons do I have to exchange my current moral preferences (which we can call *shmetical* principles, or whatever) for ethical principles?” In other words, what reasons do we have to regard moral values as something that *must* be regarded as being established through (consensual) argument instead of “mere” subjective preferences for situations turning out in certain ways?

The interpersonal nature of ethics (as established by H-rules) is described by Hoppe in the following way: suppose Robinson Crusoe, before he encounters Friday, has to deal with a gorilla (also named Friday), then

[o]bviously just as Crusoe can run into conflict regarding his body and its standing room with Friday the man, so he might do so with Friday the gorilla. The gorilla might want to occupy the same space that Crusoe occupies. In this case, at least if the gorilla is the sort of entity that we know gorillas to be, there is in fact no rational solution to their conflict. [...] The existence of Friday the gorilla poses for Crusoe merely a technical problem, not a moral one. Crusoe has no other choice but to learn how to manage and control the movements of the gorilla successfully just as he

must learn to manage and control the inanimate objects of his environment (Hoppe 2006: 385).

So the question is, when we later on encounter Friday the *man*, why should we not treat him in the same “technical” way as we treated the gorilla? In other words, why should we behave according to ethical principles rather than shmetical principles?

Of course, Hoppe concedes that we have that choice. But one cannot help but wonder that if there are some reasons that we should adopt H-rules (and become ethical rather than shmetical persons), *then is it not those very reasons that are the foundation of Hoppe’s ethical theory, rather than the H-rules?* Because if there are reasons that we should adopt H-rules, then the adoption of H-rules is merely instrumental to achieving the goals that are entailed by the more fundamental reasons. So what *are* the reasons that we should adopt H-rules? Does Hoppe provide such reasons? He is rather brief on that point, but he says that “a price would have to be paid” if “one were to deny the existence of absolute laws of [...] ethics” (Hoppe 2006: 356). The crucial question, thus, seems to be what that price is. Imagine that I am Crusoe who hold hedonistic moral preferences, i.e., I believe the best state of affairs is the one where pleasure is maximized. This principle I have established by myself without reasoning with anyone, and I have acted in a utilitarian manner when interacting with Friday the gorilla. Then Friday the man appears on the stage, saying “until now you have acted on utilitarian preferences, but now I am also here. You can no longer establish morality in a monological fashion, so you should abandon that moral preference and adopt principles compatible with H-rules.”

In fact, we might construe the situation as a trade offer. Friday is offering Crusoe something (a world of H-rules); Crusoe has to decide whether to accept or reject the offer. Since he already has certain moral preferences we might suspect that he would want some reason for making the trade. If you offer to exchange your banana for my apple I may be entirely uninterested in the exchange if I hate bananas and love apples. You would, in other words, be required to sweeten the deal with some additional reasons for making the deal anyway; perhaps you could inform me that the banana could cure some of my illnesses. So – to return to the matter at hand – Friday is offering me to give up my current moral preferences and adopt H-rules; his argument that I should not make this bargain is that if I don’t I would have to “pay the price”. What exactly is the price I would have to pay for this non-acceptance of H-rules? Well, seen from my own (Crusoe’s) standpoint, not very much – at least according to Hoppe: “the price would not necessarily have to be paid directly, and would not invariably be borne in full by whoever adopted and acted on this [relativist] view. Rather, he who adopted it could externalize the costs of his views onto others; hence, insofar as relativism can serve as a means for increasing one’s own well-being at the expense of reducing that of

others, individuals could have an interest in advocating social relativism” (Hoppe 2006: 356).

In other words, a separate individual may not suffer very much from “moral error”, and, as Hoppe says, “this would be the case only if the error involved were that of believing that *everyone* had the right to tax and the right of ultimate decision-making regarding the person and property of *everyone* else. A society whose members believed *that* would be doomed. The price to be paid for this error would be universal death and extinction”. But this is, of course, not what people who believe in the legitimacy of, say, taxation believe. They believe that only certain people are allowed to tax (preferably democratically accountable administrators); a “society whose members believed *this* – that is, that there must be different laws applying unequally to masters and serfs, taxers and taxed, legislators and legislatees – *can* in fact exist and endure” (Hoppe 2006: 390). The reason that this society can “exist and endure” is because certain people bear the cost of other people’s “unethical” behavior (that is, non-compliance with H-rules).

Now, what Hoppe seems to need is an argument of this type: “yes, a society that does not accept H-rules may be able to exist and endure, but a society that accepts H-rules will exist and endure *better*”. In a way, he *does* make that argument. But the problem is that the value statement in the argument (indicated by the word “better”) is itself based on H-rules. The argument seems to be entirely circular. Hoppe (like many Austrians) believe that the *best* society is where everyone is able to satisfy their preferences to the highest degree without being coerced in any way¹⁷²; but the ban on coercion is itself established by H-rules. In other words, the argument Hoppe is making goes like this: “you should accept H-rules because that would establish a society that works according to H-rules”.¹⁷³

In some places, however, Hoppe’s reasons for accepting H-rules for ethics are somewhat quasi-utilitarian, for instance when he writes that besides the ethical reasons (based on H-rules) for anarcho-capitalism it is as economically insane to leave the production of security to the state as the production of bread and butter: “an enterprise that must be financed through taxation will

¹⁷² When Austrians talk about a “higher standard of living”, “more wealth” and the like, this is usually what they mean, i.e. the maximization of subjective preferences without interference.

¹⁷³ It seems, by the way, that Habermas’s (who, as previously mentioned, had inspired Hoppe) discourse ethics can better deflect some of the criticism I just made, in that Habermas does not claim that his “communicative reason” generates its own moral motivation; it is not “an immediate source of prescriptions”, and “[n]ormativity in the sense of the obligatory orientation of action does not coincide with communicative rationality” (Habermas 1996: 4, 5). Walter Reese-Schäfer (1998: 56-60) has discussed this question of a “rational” grounding of ethics and notes that Habermas seems to think that an *ultimate* ground is both unavailable and unnecessary. In a sense, of course, Habermas’s theory then might lose relevance in the eyes of some people, but perhaps a sincere modesty is more helpful in ethics than an unfounded pretentiousness.

always turn out inferior products, waste scarce resources and lower the common welfare” (Hoppe 1987: 9, my translation).¹⁷⁴ In these cases it is difficult to know if he is talking about a kind of substantial welfare that would (at least in principle) be measurable, in which case he should provide the numbers to prove his point (to complete the *utilitarian* case for accepting H-rules), or if he is talking about “welfare” in the usual Austrian sense, i.e. the maximal satisfaction of uncoerced preferences, in which case there is again the old circularity problem (i.e., that we are forbidden to redistribute resources by force in order to enhance *substantial* welfare is a rule that is established by H-rules). I think, however, that one would best not read Hoppe as making an argument about substantial (interpersonal) utility, since he often points out that he thinks only subjective ordinal rankings are possible when it comes to measuring “utility” (e.g., see Hoppe 1987: 31). In other words, one cannot, according to this view, claim that social utility would rise if, for example, one were to forcefully take (by taxation) a fraction of the wealth of the richest persons in the world and build a children’s hospital in a poor country, since we cannot compare the loss of pleasure of the rich people to the gain in pleasure (or loss of pain) of the sick and poor children. This would be an act of aggression, which by definition “always and necessary implies that a person, by performing it, increases his/her satisfaction at the expense of a decrease in the satisfaction of another person” (Hoppe 1990: 12). As a utilitarian one could, again, make the case that the permissibility of the aggression is dependent on how much pleasure is gained by the one party and how much is lost by the other. But Hoppe cannot (or will not) take that path.

In a few places – e.g., 1990: 62 – Hoppe actually talks about the relatively bad effects of, for example, Social democracy on GNP, but this sort of “GNP utilitarianism” is hard to fit in with the main *corpus* of Hoppe’s work; and it would be quite an un-Austrian argument to say that the best policy is the one that maximizes GNP.) The conclusions we are forced to draw is that he is not providing any reasons for accepting H-rules, thus (?) implying that we should rely on our intuition that only H-rules can make something “just” (and if you do not have that intuition there is no reason – at least there is not

¹⁷⁴ Another quasi-utilitarian (or perhaps game-theoretical) “defense” of private property that Hoppe seems to provide in some places says that this institution must arise because otherwise the social life would be too chaotic (in light of the fact that most of the goods that human beings want are scarce): “It is the function of property rights to avoid [...] possible clashes over the use of scarce resources by assigning rights of exclusive ownership. Property is thus a normative concept: a concept designed to make a conflict-free interaction possible” (Hoppe 1990: 8). Obviously, this is a very different argument compared to the one based on argumentative ethics. Some degree of “conflict” is surely tolerable in society, so we would need a (consequentialist?) theory to decide how much conflict we should tolerate (given that there are some benefits that make the conflicts tolerable).

this particular reason – why one should join Hoppe in his condemnation of state power, and democracy).

The circularity, again, is captured in the following quote:

Of course there are many people who do not propagate or enforce norms which can be classified as valid according to the meaning of justification which I have given above. But the distinction between justifiable and nonjustifiable norms does not dissolve because of this [...]. Rather, and accordingly, those people who would propagate and enforce [...] different, invalid norms would again have to be classified as uninformed or dishonest, insofar as one had explained to them and indeed made it clear that their alternative norm proposals or enforcements could not and never would be justifiable in argumentation (Hoppe 1990: 137).

So, the theory is indeed “cognitive”, “value-free”, and “objective”, as Hoppe claims; but if there are no reasons to be an “honest” person that are not provided by the argumentative rules themselves, the theory is also vacuous, relying on the existence certain intuitions, the acceptance of which cannot itself be the result of “value-free” reasoning (unless we are referring to an institution of a higher order, in which case we would only be postponing the problem).¹⁷⁵ And insofar as some people do not have the intuition that moral goodness comes out of argumentative rules (as those established by Hoppe) he seems to be taking something of a gamble in relying on this kind of reasoning.¹⁷⁶ Establishing an “objective” ethic by defining words in certain ways does not really guarantee adherence from people who do not see the obvious advantages of this particular way of defining words (or from those who do not have a prior interest (academic, material etc.) in defending this particular ethic).¹⁷⁷

¹⁷⁵ Mackie’s (1990, ch. 3 and 98f) discussion of these kinds of “institutions” is quite valuable. Cf. also Urmson (1968, especially ch. 9), who discusses the difference between valuing according to standards (in which case values can be said to be true or false, insofar as they are in accord with the standard or not) and the valuing of the standards themselves.

¹⁷⁶ Indeed, most people do not seem to think that the goodness of, say, a work of art is established in this way (and I do not think Hoppe claims that it is either). What, then, is the difference between aesthetic goodness and moral goodness; and can we make such a distinction by just invoking value-free rules of distinction?

¹⁷⁷ There is, furthermore, an internal critique that can be made against Hoppe, that focuses on the question whether *full* libertarian ownership-rights follows from the argumentative rules. I have not scrutinized this kind of argument, since, as I have stressed, my attention has been (rightly or wrongly) on the external criticism. For those who want to see how Hoppe might “fail on his own terms”, see Murphy & Callahan 2002. They claim that “[a]t best, all Hoppe has proven is that it would be a performative contradiction for someone to deny in an argument that his debating opponent (and perhaps those in the same ‘class’) own the body parts (such as eyes, brain, and lungs) necessary for the debate, for the duration of the debate.”

(Meta)Ethical Conclusions

We may sum up the views of Rothbard and Hoppe (which are largely the same) by saying that they rely on a second-order norm to make their case. Thomas Jefferson (in the *Declaration of Independence*) famously claimed that there are certain (first-order) norms that are “self-evident”. Rothbard and Hoppe do not go that far; the postulate of self-ownership (and the non-aggression principle that follows) is not claimed to be self-evident. But the second order norm, namely that “just” ethics must be established through certain argumentative rules, which in turn establishes the self-ownership, seems to be regarded as self-evident. That, however, hardly saves the argument.

As I pointed out earlier, the view that Hoppe and Rothbard propound can be contrasted to that of Mises. The latter’s view seems to establish that there is human conduct (*action*) that can be observed and opinions about that conduct (which we might call “ethics”).¹⁷⁸ Hoppe and Rothbard claim that such opinions must be uttered in a certain way in order to count as “just” (or, in the case of Rothbard, “rational”) opinions. Thus, there are not just actions and opinions, but also opinions about opinions. But just as no opinion can prove its own correctness, no opinion about an opinion can do so either. If no first-order norm is (objectively) “self-evident”, then no second-order or third-order norm (or *n*th-order norm) is self-evident either. This is in the nature of norms. Rothbard and (especially) Hoppe rely on an acceptance of a second-order norm (“behave according to certain argumentative rules”) to establish a first-order norm (“do not violate people’s self-ownership”). The question is what reasons we have to accept the second-order norm in question.¹⁷⁹

A lot seems to hinge on the acceptance on a certain theory of what a “rational” ethic is. According to Rothbard and Hoppe their kind of ethic is the only rational one. Their notion of “rationality” is, however, a second-order norm that may be accepted or eschewed; it all depends on what reasons one have for adopting it. Of course, “philosophers can always define ‘rational’ so that their favorite moral system would be chosen by all rational people”, but – as I have illustrated in this chapter – “[t]hat method would [...] clearly beg the question against contrary moral beliefs as long as the premises about rationality remain unjustified” (Sinnott-Armstrong 2006: 171).¹⁸⁰ In other words, if we want “moral propositions” to be “informative and not trivial”, then “they cannot be established by reference to the rules of language”

Hence, “[s]omeone can deny the libertarian ethic, and yet concede to his opponents the use of their bodies for debate.”

¹⁷⁸ Cf. Brinton (1959: 4f).

¹⁷⁹ Cf. Sinnott-Armstrong (2006: 30).

¹⁸⁰ Cf. Stevenson (1944: 158).

(Nowell-Smith 1959: 77). Of course, we *might* establish “objective” values by *stipulating* definitions of “good” and the like, but – to quote Moritz Schlick – “[t]he only interest we could take in this realm of values would be a purely scientific interest; [...] but for life and conduct” these values “would be no more important than, say, the arrangement of the stars in the order of their magnitudes, or the serial arrangement of objects according to the alphabetical order of their names in the Swahili language”, unless we can “find a hidden appeal to the feelings” somewhere in the argument (Schlick 1939: 116, 118).

In other words, Rothbard and Hoppe seem to espouse the *internalist* account of moral psychology (discussed in chapter I), in that they assume that it is enough to know what is “rational” to be motivated to do the right thing, and that there is, presumably, no need for any external desire for, or interest in, doing what “rationality” requires. But, as mentioned in chapter I, the restraints of rationality do not seem to hold if one has not already expressed the *desire* to subscribe to the proposed definition of rationality. And if an account of morality is claimed to be “objectively valid” it seems to be required that it is objectively mandatory, in some way, that one should have the desire to accept a certain definition of rationality. So what we want from Rothbard and Hoppe is an (non-circular) explanation why it is “mandatory” to be “rational”, especially since their claims about rationality are so demanding on *all* people in the political context.

The short summary of the argument against Rothbard and (especially) Hoppe (and perhaps against other kinds of discourse ethics) is that there can be no “objectively” valid reasons to take part in an ethical discussion that is framed in a certain way, unless people either intuitively think that the particular framing is reasonable, or already believe that the conclusions that will follow from that discussion are intuitively just. What this kind of discourse theory ignores is perhaps that “all of us have always known that rational discussion about moral issues is possible only between people who [already] share some basic moral commitments” (Harsanyi 1982: 62). A basic moral commitment that is necessary in order for the argument from performative contradiction to work is that aggression is forbidden (I cannot, for example, “autistically” assert that I am a utilitarian and act accordingly). One defender of Hoppe has argued that “[d]eleting this common sense distinction between aggression and argumentation would hinder any theory of justice”. This, however, simply begs the question of what is so good about “justice” anyway. It might be retorted that “such a situation [without argumentatively established justice] is absurd”, but I fail to see why the question of absurdity or not must necessarily be resolved by “refer[ring] to the common sense and secondly to the libertarian definition of aggression”, which is what the same defender of Hoppe does (Eabrasu 2009: 8).

I might, by the way, end this section in the same manner as the section on Rothbard, by claiming that the fact that I find Hoppe’s ethical foundations

unsatisfactory does not warrant the ignorance about him in mainstream political philosophy.¹⁸¹ There are many less systematic and less interesting thinkers who are regularly studied by political theorists and philosophers today.

The Rejection of Democracy

Now it may be the case that we can manage to live with people who have different opinions from us on matters of ethics. Democracy may be one way to solve this fact of pluralism. However, one crucial point of the “objectivism” espoused by Rothbard and Hoppe is that this “pluralism” is quite irrelevant. According to them, the fact that people hold different ethical views does not change the “fact” that some of these normative views are simply wrong; and more crucially, Rothbard and Hoppe believe that this entails that democracy can not be the best form of government, since it allows people to rule over others by principles that are “objectively” false. For them, it is, in other words, *not* the case that “the point of collective decision making is to decide matters that are of great significance morally”, and that “[c]ollective decision makers must determine what actions do and do not constitute crimes against others in society”, as well as “decide on the rules that govern property and what duties and rights ownership establishes among persons” (Christiano 2003: 4).

Rothbard did not, however, write very much about democracy *per se*. In his main economical work (where he wishes to be value free) he mostly raises some fairly well-known internal criticisms as he tries to expose democrats as being incoherent. But these arguments could probably be countered by skilled democratic theorists, especially since he mainly attacks an argument that is quite rare as an ultimate defense of democracy, namely that it is a peaceful way of changing rulers. He also leans heavily on the alleged instability of democracy, which resembles the slippery-slope argument against interventionism already scrutinized in the previous chapter. Nevertheless, he says that a libertarian might value democracy as a means of arriving at a libertarian society (Rothbard 2009: 1279-1291); and the last point is rather significant in summing up Rothbard’s views of democracy. Indeed, Hoppe has “complained” that even if the (meta)ethics of Rothbard seem to lead to a rejection of democracy, the latter still “had a soft spot for democracy and tended to view the transition from monarchy to democracy as progress” (Hoppe 2007a: xxiii).¹⁸² But there are places in Rothbard where an *external*

¹⁸¹ Provided that one reads his predominantly philosophical works, rather than his political “pamphlets” (I regard Hoppe 2007a as an example of the latter).

¹⁸² And about Mises Hoppe writes: “no one has recognized more clearly the dramatic increase of state power in the twentieth century, but Mises never connected these phenomena system-

critique is made against democracy. Thus, he writes in *The Ethics of Liberty* (which also, by the way, mostly contains *internal* criticisms against democracy) that “[t]he fact that a majority might support or condone an act of theft does not diminish the criminal essence of the act or its grave injustice” (Rothbard 1998: 164). Now someone who rejects his moral realism may still agree to this, but the problem is that Rothbard believes that it may be the case that a *minority* has the moral “facts” on its side. Having already raised serious doubts about his doctrine about “objective” morality, we are left with the choice of rule by the subjective values of a majority or the subjective values of a minority (in the most extreme – actually anarchistic – case, a minority of one person). *Prima facie*, there seems to be a case to opt for the former (rule by the subjective values of a majority); at least Rothbard should provide some arguments against such a solution.

Hoppe has written a book called *Democracy, The God that Failed*, in which he tries to fill the gap that was left by his Austrian mentors. This book is, however, rather uninteresting from a philosophical perspective. Insofar as he eschews democracy because it permits (objectively) immoral consequences, it should be enough to read the criticism directed at Hoppe above. Since he has not established any “objective” morality, his rejection of democracy merely amounts to a quasi-dictatorial assertion of his own moral preferences above those of other people. The book is more interesting from a rhetorical perspective. If the main rhetorical problem in Mises is how “capitalism” can serve as a catchword in a world where “socialism” has lost its relevance, then it is surely even harder to try to depose “democracy” as a political value. Hoppe even tries to make the case that monarchy is preferable to democracy (although, of course, anarchism is preferable to monarchy) and that the former is both “economically and ethically advantageous” (Hoppe 2007a: xx). It is significant that he mentions both “economical” and “ethical” reasons, because this also highlights the confused way in which he sometimes mixes rights-based ethics (self-ownership etc.) with quasi-utilitarian considerations. Thus, an absolute king is usually preferable to a democratic assembly because his “ownership” of the country means that he is more careful not to squander its resources (this, he argues, is at least the case under *ceteris paribus* conditions).

Anyway, Hoppe’s task is quite formidable, namely that the “idea of democracy and majority rule must be delegitimized”. He does not propose a return to the *ancien régime*, but he wishes that if the idea of monarchical rule today is considered as laughable, then “the idea of democratic-republican rule must be rendered equally if not more laughable”. To achieve this delegitimization of democracy Hoppe mainly proposes that the liberal-libertarian

atically with modern compulsory democracy. Nowhere did he suggest that the decline of liberalism and the dominance of anticapitalist political ideologies [...] finds its systematic explanation in majoritarian democracy itself” (Hoppe 2007a: 81).

“elites” participate as little as possible in “the operation of the federal political machinery”, and do not “contribute to any national political party or political campaign, nor to any organization, agency, foundation, institute, or think-tank cooperating with or funded by any branch of the federal Leviathan or anyone living or working in or near Washington D.C.”. Besides these “personal” commitments it is also vital to spread the idea that the idea of democracy is immoral, that the practice of majority rule “is not justice but a moral outrage, and rather than treating democracy and democrats with respect, they should be treated with open contempt and ridiculed as moral frauds” (Hoppe 2007a: 70f, 92, 104).

And as we have seen previously, Hoppe’s ideas about what is “immoral” is based on a specific metaethical theory. If he did not believe that the values he espouses were true in some objective sense he would probably not use these harsh words against democracy. Thus we see that questions of metaethics surely do have some sort of relevance for questions about political rule. And I believe that it would be harder for Hoppe (and Rothbard) to insist on the abolition of democracy were they to abandon their cognitivist ideas. Now some think that a person who believes in metaethical objectivism would still do best in toning it down, because it is a risky strategy. If you, because of your objectivism, believe more strongly in your moral position, it may still be the case that other people, who also claim to have the moral facts on their side, believe as intensely in other moral principles. In that case, it is held, it is less risky (and perhaps more “efficient”) to, so to speak, take the question of metaethics off the agenda, because it would be naive (at best) for one side in a conflict to “simply presume that if EO [ethical objectivism] is believed, then their particular form of first-order views will automatically be accepted” (Berggren 2004: 80).¹⁸³ In the case of Rothbard and (especially) Hoppe it is, however, evident that they are willing to take the risks involved, and perhaps they can indeed be described as naive in some senses. But of course, they may just be aware that they cannot have the cake and eat it too. If they want to reject democracy, while trying to keep some philosophical rigor to their argument, they may have to take these risks.

Furthermore, it seems that the fate of us who do believe in democracy may not be very pleasant in Hoppe’s “utopia”: “One may say innumerable things and promote almost any idea under the sun, but naturally no one is permitted to advocate ideas contrary to the very purpose of the covenant of preserving private property, such as democracy and communism”. Those who espouse

¹⁸³ As Berggren (2004: 79) describes it, we could have four combinations of first-order moral views and metaethical beliefs in the general population: (1) general belief in objectivism combined with “good” first order ethics, (2) general belief in subjectivism combined with good ethics, (3) general belief in subjectivism combined with “bad” ethics, (4) general belief in objectivism combined with bad ethics. The ranking of “utility” of these combinations is 1>2>3>4. In other words, if we get the general population to believe in ethical objectivism we may get the best outcome (1), but risk getting the worst outcome (4).

the latter views “will have to be physically separated and expelled from society” (along with those who advocate “individual hedonism”, “nature-environment worship,” or homosexuality – but that is another story, which I will not delve into here¹⁸⁴) (Hoppe 2007a: 218). With statements like these Hoppe seems to have taken Western political thought full circle, ending up with something like Plato’s ideal state, where those who have the correct knowledge about justice are simply allowed to realize their views with whatever means necessary. And my point is that both Plato and Hoppe hold these views because they believe there is (objective) knowledge to be had about morality. Without that metaethical view their anti-democratic edifices would simply collapse; either into democracy,¹⁸⁵ or into the war of all against all (where political philosophy and attempts to justify one’s ideas become futile and irrelevant exercises).

And, lastly, if we are to address the practical feasibility and “rhetorical force” of Rothbard’s and – especially – Hoppe’s anti-democratic stance, it is easy to paint a picture that must appear bleak to them. Democracy is one of those words that are probably irreparably charged with positive connotations. For someone who opposes democracy, as we perceive it today, it would probably be easier to keep the word “democracy” but change its definition (as has been done in the past), rather than trying to throw out both the word and the concept. An ideology that is explicitly anti-democratic is unlikely to succeed in this day and age (cf. Gottfried 2009: 34).

¹⁸⁴ Gottfried (2009: 35) labels Hoppe’s view “aristocratic radicalism” – a term borrowed from Domenico Losurdo, who originally used it to describe Nietzsche.

¹⁸⁵ Preferably a democracy of “fair proceduralism”, which “allows nothing to favor one citizen’s claims or interests over another’s”, and where “no one should be favored by any reasons there might be for treating his or her claims as especially important” (Estlund 2003: 71f). This I believe is the most reasonable form of democracy (even if it is not popular among current theorists of democracy), given that there are no independent standards of what constitutes correctness in a moral decision (see Olsson 2013a, 2013b).

VII. What's so Great About the Great Society? – The Political Philosophy of F. A. Hayek

When we are investigating the political ideas of Austrian economists it seems inevitable that we should include Friedrich August Hayek in some way. The first thing one will notice when reading Hayek is that there are some significant differences between him and the writers we have encountered so far in this study. For one thing, he appears to be more moderate in his conclusions, neither advocating unbridled *laissez-faire* nor anarchism. But he is also less clear about his normative foundations (certainly less clear than Rothbard and Hoppe). Some even think that Hayek does not really have any moral theory at all.¹⁸⁶

So before we can start to find problems with his moral thinking we have to find out what that thinking consists in. Fortunately there is already a great deal written about Hayek's political philosophy, but one should notice that most of the studies on Hayek are not really about his moral *foundations*. Most commentators are interested in Hayek's theory of the *spontaneous order*; and even though it may be the case that the "idea of a free society as a spontaneous order, which Hayek traces back to Carl Menger, Adam Smith, Adam Ferguson, David Hume and Bernard Mandeville, is deep and powerful", we are nevertheless "left with the question: What is *good* about spontaneous order?" (Sugden 1993: 395).¹⁸⁷ Since I, however, believe that a "complete" political philosophy should have a firm base to stand on I think it is warranted that yet another attempt is made to describe Hayek's principles of political philosophy, and to discuss problems with them.

I believe, furthermore, that the best chances of adding something interesting to the scholarship on Hayek is to first make some kind of description of his ethics with "fresh eyes" and then to describe the secondary literature (because, as we shall see, much of the secondary literature seem to make interpretations of Hayek's philosophy that are far from obvious when compared to a first reading of Hayek himself – which means that to begin with the secondary literature would complicate everything for the reader). And

¹⁸⁶ See e.g. Romar (2009: 57): "Though his writing is replete with references to ethics, he does not offer an ethical system."

¹⁸⁷ Hayek scholars have, in other words, been more interested in Hayek's conclusions about what is *feasible* in human affairs, rather than in his views about what is *desirable* (Sugden 1993: 397).

that is mostly the path I have followed. The works that have been analyzed are mainly *The Road to Serfdom*, *The Constitution of Liberty*, the three volumes of *Law, Legislation, and Liberty*, and *The Fatal Conceit*. In this chapter I will first describe the overall structure of Hayek's political thought (which can be found in the aforementioned books) and then concentrate on the normative foundations.

An Overview

The most important theme in Hayek's political thought is the limitations of the human mind. He places himself in a conservative tradition (although he is often reluctant to call himself a conservative, since the meaning of the concept is far from clear¹⁸⁸), in the sense that he abhors "constructivism" in politics. Gissurarson (1987: 11-15) summarizes the tradition of "liberal conservatism" that Hayek is a part of in five points:

Spontaneous coordination. Social life can regulate itself, in the manner of Adam Smith's "invisible hand".

Anti-Pragmatism. Political life should be governed by general principles rather than discretionary power in isolated cases.

Traditionalism. Traditions and "prejudices" often contain tacit knowledge, and therefore one should not try to substitute them because "rational" thought seems to demand it.

Evolutionism. Social life is a process of interacting individuals in which traditions are selected by the success of the groups that respect them.

Universalism. The correct kind of liberalism is something that is in accordance with human nature. Thus, it can be achieved in all societies (eventually).

A lot of Hayek's writings consist in accounts of how the intellectuals, mostly since the 17th century, have fallen prey to the idea that the normative ideas that govern political life must be rationally justified. This constructivist "fallacy" is mostly grounded in enlightenment thinking, when the grips of religion loosened (at least for the intelligentsia) and "rational" thought was supposed to solve all problems for human kind. One of the people in this pantheon of rationalism that Hayek mentions is Voltaire, "whose views on the problem with which we shall be mainly concerned found expression in the exhortation, 'if you want good laws, burn those you have and make new ones'" (Hayek 1976: 25). This tendency of refusing "to recognize as binding any rules of conduct whose justification had not been rationally demonstrated", Hayek describes as growing even more in pace during the 19th and 20th centuries, and he finds the "best description of this state of mind" in a quote

¹⁸⁸ See the famous postscript to *The Constitution of Liberty* (Hayek 2006).

from his (intellectual) arch-enemy J. M. Keynes, who said the following of himself and his friends in their youth: “We entirely repudiated a personal liability on us to obey general rules. We claimed the right to judge every individual case on its merits, and the wisdom, experience, and self-control to do so successfully. [...] We repudiated entirely customary morals, conventions, and traditional wisdom. We were, that is to say, in the strictest sense of the term, immoralists [...]. [W]e recognized no moral obligation, no inner sanction, to conform or obey” (Hayek 1976: 26).

Hayek’s idea, however, is that the capacities of the human mind are greatly limited when it comes to creating either normative principles or political solutions by rational thought alone. He regards the idea that man can redesign society and its institutions in accordance with specific purposes as both false and dangerous. He believes that this “Cartesian” rationalism meant “a relapse into earlier, anthropomorphic modes of thinking. It produced a renewed propensity to ascribe the origin of all institutions to invention and design” (Hayek 1973: 10). In political philosophy this is manifested in social contract theory. To Hayek’s mind, Thomas Hobbes is a great villain. What social contract theory does not take into account is that “[m]any institutions of society which are indispensable conditions for the successful pursuits of our conscious aims are in fact the result of customs, habits or practices which have been neither invented nor are observed with any such purpose in view” (Hayek 1973: 11). So the reason why mankind has been successful (whatever that might mean) is not that we have been able to rationally design morals and institutions, but that we have let them evolve through the ages – a process in which “bad” practices have been weeded out and “good” practices have stood firm. If we disregard this evolution and pretend to be able to consistently apply constructivist rationalism things could only end badly.

To Hayek’s mind, the paramount case of such negligence of evolution is, of course, socialism. What socialists assume away, however, is “the fact of the necessary and irremediable ignorance on everyone’s part of most of the particular facts which determine the actions of all the several members of human society” (Hayek 1973: 12). The conception of ignorance is probably the most important point in Hayek’s (applied) political thought. A free market is important to him because it lets the small pieces of information that each individual possesses work together in a highly decentralized fashion to create a working order, or an “organism” (as distinct from an *organization*).

This also means that a successful order must rest more on rules than on “rational” decisions. Our “civilization” (a term that Hayek often uses, albeit not in a very precise way) rests on the presupposition that individuals do not excessively reflect on the principles by which they act. The problem of acting successfully in a world where each individual has an extremely limited amount of information about the world is “solved by adhering to rules” which has served us well, but which we do not “and could not *know* to be

true in the Cartesian sense” (Hayek 1973: 18). The politician’s task, then, is not to try to devise new institutions and the like out of the blue, but to let individuals use their little piece of knowledge and let this state of affairs evolve into a *spontaneous order*.

Hayek does not, however, rule out all “rational” reform of the spontaneously evolved order. It is true that he dismisses virtually all forms of direct price controls, since market prices is the chief way in which the packets of knowledge of dispersed individuals are harmonized. But he is neither an anarchist nor a complete *laissez-faire* liberal. He often says explicitly that he does not “regard the enforcement of the law and the defence against external enemies as the only legitimate functions of government” (Hayek 1979: 41). He believes that the state (and its apparatus of taxation¹⁸⁹) has a role to play when it comes to “collective goods”, that is, services which would be very difficult to price accurately on the free market, since it would be hard to provide them to specific persons without letting other people having a “free ride”:

To this category belong not only such obvious instances as the protection against violence, epidemics, or such natural forces as floods or avalanches, but also many of the amenities which make life in modern cities tolerable, most roads (except some long-distance highways where tolls can be charged), the provision of standards of measure, and of many kinds of information ranging from land registers, maps, and statistics, to the certification of the quality of some goods or services offered in the market. In many instances the rendering of such services could bring no gain to those who do so, and they will therefore not be provided by the market. These are the collective or public goods proper, for the provision of which it will be necessary to devise some method other than that of sale to the individual users (Hayek 1979: 44).

We are already a bit removed from the ideal of the night watchman state. Furthermore, it is beyond doubt that Hayek thinks that the state should also be utilized to solve problems that stem from the fact that “an increasing number of people are no longer associated with particular groups whose help and support they can count on in the case of misfortune. The problem here is chiefly the fate of those who for various reasons cannot make their living in the market, such as the sick, the old, the physically or mentally defective, the widows and orphans - that is all people suffering from adverse conditions which may affect anyone and against which most individuals cannot alone make adequate provision but in which a society that has reached a certain

¹⁸⁹ Although Hayek believes that taxation should be delegated to local and regional authorities as much as possible and that private organizations should run tax-financed activities whenever possible (Hayek 1979: 45f).

level of wealth can afford to provide for all” (Hayek 1979: 54f).¹⁹⁰ To this we might add a large role for the state to provide free education (even though the schools should not exclusively be run by the government) up to a relatively high level (see Hayek 1979: 60-62).¹⁹¹

Thus, we might summarize Hayek’s view of perfect liberty as a condition where people are generally free to use the information they possess to direct their own lives on the basis of price signals provided by the market as well as of (spontaneously evolved) customs and the like. But we have also seen that the government has a role in providing certain goods and services. It is, however, of the utmost importance for Hayek that the latter kind of government activity must be conducted in accordance to general rules. Even though government “is a deliberate contrivance”, its business “cannot be conducted exclusively by *ad hoc* commands of the ruler” (Hayek 1973: 124); it has to be limited by rules of “just conduct” in order to protect liberty. To this end Hayek has proposed a rather concrete suggestion of dividing democratic assemblies into two chambers, one of which has the task of laying down general rules and providing a limiting framework for government action. Hayek is generally very fond of the idea of a separation of powers, and regards the idea that a legislature basically can do what it wants (provided it is supported by a majority) as a very dangerous idea.

What I have done so far is to trace the outlines of a “Great society” (as Hayek sometimes calls it). Hayek believes that we owe most of the comforts of our “civilization” to the application of liberal principles, and that the more we stray from that ideal the worse things will get. In order to say, however, that one type of society is better than another, we need normative principles to guide us. We need, in other words, to ask just what makes the Great Society so great. But here we encounter the problem of Hayek’s reluctance to develop his ethics. What we have to do, then, – before we can start to find problems with his stance – is to see what ethical principles we can find in his writings. I will attempt to do that in the next section.

¹⁹⁰ In *The Road to Serfdom* Hayek talks about two kinds of security, one type that the state can provide and one type that it can (should) not. The first kind is security “against severe physical privation, the certainty of a given minimum of sustenance for all”, the second kind is “security of a given standard of life, or the relative position which one person or group enjoyed compared with others; or [...] the security of the particular income a person is thought to deserve” (Hayek 2007: 147f).

¹⁹¹ Cf. Hayek (2006: 224f): “It can hardly be denied that, as we grow richer, the minimum of sustenance which the community has always provided for those not able to look after themselves, and which can be provided outside the market, will gradually rise, or that government may, usefully and without doing any harm, assist or even lead in such endeavors. There is little reason why the government should not also play some role, or even take the initiative, in such areas as social insurance and education, or temporarily subsidize certain experimental developments. Our problem here is not so much the aims as the methods of government action.”

Normative Principles

There is no doubt that Hayek is a consequentialist *of some kind*. And like his old mentor Mises he seems to hold that there are no “objective” values. There exists, in other words, no categorical imperatives, only hypothetical ones. He asserts that “our language is so made that no valid inference can lead from a statement containing only a description of facts to a statement of what ought to be. [...] One can follow from the other only if at the same time some end is accepted as desirable and the argument takes the form of ‘if you want this, you must do that’” (Hayek 1973: 79f). From a metaethical standpoint it is difficult to quarrel with Hayek, although he does not explicitly go as far in a non-cognitivist direction as Mises. And the fact that he does not go so far as to openly espouse, for instance, an emotivist view, seems in part be due to a certain misunderstanding of that position. Thus, he writes that “[l]ogical positivism has been trying to show that all moral values are ‘devoid of meaning’, purely ‘emotive’; it is wholly contemptuous of the conception that even emotional responses selected by biological *or* cultural evolution may be of the greatest importance to the coherence of an advanced society” (Hayek 1979: 173). It is true that much of Hayek’s ethics hinges on the part that comes after the semicolon in the quote, but that part is not at all about metaethics, and it does not follow as a conclusion from the first part of the quote. Furthermore, he does nowhere try to refute the first (metaethical) part. Still, it may be the case that *if* we regard Hayek as a non-cognitivist at heart he may get into trouble in his theory of democracy – but more on that later.

What separates Hayek from Mises, however, in a very apparent way is the focus on evolved traditions and rules that I have already mentioned. This shapes his consequentialist ethics in a certain way. Sure, he believes that we should not meddle too much and too rashly with our received traditions, but this is *only* because the adherence to them lead to such good consequences. And we should not try to invent any moral principles out of the blue because it is so hard to foresee the consequences of such products of rational constructivism. So what we need is a normative theory about which consequences should be conceived as good and which should be conceived as bad. Nowhere, however, is there any discussion of consequences of *particular* actions. What is important for Hayek is to assess the overall, long-run, consequences of adhering to certain rules and maintaining certain institutions.

So what kinds of consequences are important to Hayek? The most well-known form of consequentialism is, of course, utilitarianism – a moral doctrine that claims that we should maximize happiness. In the case of hedonistic utilitarianism (the form that, for instance, Jeremy Bentham propagated) it is pleasure that should be maximized and pain that should be minimized. It is clear, however, that although Hayek is a consequentialist, he is not a hedon-

ist. Nevertheless, it seems this is not mainly due to a lack of concern for human happiness (or pleasure), but due to his critique of human rationalism. Thus, he claims that even though it would be commendable to seek to maximize happiness, rational thought alone does not have the capacity to devise rules and institutions that will further that cause. And like most Austrians he is highly skeptical when it comes to interpersonal comparisons of “utility”, although he (again, like most Austrians) does not really elaborate the point, especially when it comes to comparing pleasure and pain (Hayek 1991: 97f). Still, Hayek sometimes believes that utilitarianism is problematic, not because it wants to maximize happiness, but because the rationalistic character of utilitarianism (especially act-utilitarianism) will probably make the contemplated measures counter-productive (Hayek 2006: 86).

On the whole, however, it would be difficult to claim that Hayek’s criteria for evaluating the progress of “civilization” are those of a hedonist. So what criteria does he actually apply in his consequentialist thinking? There are actually two main candidates, one that is most forcefully underscored in his last major work, *The Fatal Conceit* (although it had appeared earlier), and one that is usually found in his other works. The latter theory is rather sketchy and it shows some similarity to Mises’s preferentialist utilitarianism, in that it builds on the ideal of maximizing individuals’ capacities to make free choices. The former stresses the ability of different groups to prosper (mainly increasing its population) in the evolutionary “contest” with other groups. We might call these theories the *maximum freedom theory* and the *maximum population theory* respectively.

The maximum freedom theory is, however, somewhat ambiguous. Sometimes (perhaps usually) Hayek wants to underscore negative liberty and claims that freedom maximization is mostly about obstacle minimization – freedom is about enabling individuals to achieve their plans (whatever they may be) without hindrance. But sometimes there seems to be a positive element to freedom. Generally, Hayek speaks in rather imprecise terms about the value of liberty, but perhaps the following statement will give an idea of his view: “[My] thesis [...] is that a condition of liberty in which all are allowed to use their knowledge for their purposes, restrained only by rules of just conduct of universal application, is likely to produce for them the best conditions for achieving their aims” (Hayek 1973: 55).¹⁹² Later on, he writes that “what we regard as civilization may depend on the factual condition that the several plans of action of different individuals become so adjusted to

¹⁹² And it is significant (in that it reveals Hayek’s disregard for “proper” moral philosophy) that later on the same page Hayek writes that he “will not undertake here a fuller definition of the term ‘freedom’ or enlarge upon why we regard individual freedom as so important. That I have attempted in another book” (Hayek 1973:55). This other book he is referring to (which is revealed in a footnote) is *The Constitution of Liberty*, in which a *fundamental* discussion about “why we regard individual freedom as so important” is not easy to find.

each other that they will be carried out in most cases” (Hayek 1973: 111).¹⁹³ Thus, the moral *non plus ultra* seems to be – according to this theory – the fulfillment of individual plans and purposes. But one should note that it is not the maximum plan fulfillment of each and every individual; that would entail a ban on government coercion to an extent that is far from Hayek’s mind. And the upshot of the fact that he thinks that it is more important to adhere to rules and traditions than to, so to speak, consider each act on its own merits, is that some individuals have to bear some sacrifices in order to preserve the traditions that may not be (apparently) valuable to the individual, but very valuable for the progress of “civilization”. Thus, he takes care to point out that freedom requires discipline, that “[m]an has been civilized very much against his wishes” (Hayek 1979: 168). We see, again, the overall character of Hayek’s consequentialism. It is not single acts that should be evaluated, but ways of life and ingrained traditions, and the results should be evaluated more in terms of group “efficiency” than on the individual level.

In a few places, however, Hayek seems to hint at a much more concrete way of viewing the successes of “civilization”, that is, providing criteria with which we can compare different sets of rules and traditions. This is when he speaks about the opportunities of a person (in a specific society) chosen at random. The following passage sums it up neatly:

We may of course aim at the ‘greatest happiness of the greatest number’ if we do not delude ourselves that we can determine the sum of this happiness by some calculation, or that there is a known aggregate of results at any one time. What the rules, and the order they serve, can do is no more than to increase the opportunities for unknown people. If we do the best we can to increase the opportunities for any unknown person picked at random, we will achieve the most we can, but certainly not because we have any idea of the sum of utility of pleasure which we have produced (Hayek 1976: 23).¹⁹⁴

Of course, we need to know what he means exactly by “opportunities” to make these comparisons more concrete; but what he means is not that easy to find out. Furthermore, he underlines that the “numerical magnitudes” in these cases are unknown, and that the “concept of the chances of any member of the society to have a certain range of opportunities is [...] a complex

¹⁹³ The quote continues: “[...] and this condition in turn will be achieved only if the individuals accept private property as a value” (Hayek 1973: 111).

¹⁹⁴ Cf. the following passage: “The aim of policy [...] would have to be to increase equally the chances for any unknown member of society of pursuing with success his equally unknown purposes, and to restrict the use of coercion (apart from the raising of taxes) to the enforcement of such rules as will, if universally applied, tend in this sense to improve everyone’s opportunities” (Hayek 1976: 114). See also Hayek 1976: 126.

one to which it is difficult to give mathematical precision” (Hayek 1976: 130).

Anyway, while the above version of consequentialism, which I termed the maximum freedom theory, aims to increase opportunities for realizing the goals of (randomly selected) individuals, the second view – the maximum population theory – evaluates different outcomes in terms of numbers of people that can be sustained under different sets of rules and traditions. This view does not really appear until *Law, Legislation and Liberty*, but it is most fully developed in *The Fatal Conceit* (cf. Sugden 1993: 397). In the former work he mostly speaks in fragments about it; for instance, he regards rules as “successful” (apparently in both an evolutionary sense and a normative sense) if they “secured that a greater number of the groups or individuals practicing them would survive” (Hayek 1973: 18). In volume two of *Law, Legislation and Liberty* we also encounter an argument that is quite frequent in Hayek’s rhetoric, namely that we cannot legitimately complain about working conditions in the early capitalist era, because without those conditions we, who make the complaints, would not have existed, because of the larger population that became possible to sustain thanks to the increase in productivity (Hayek 1976: 93).

But – as mentioned – the maximum population theory is, first and foremost, the basis of Hayek’s late work *The Fatal Conceit*. It should, however, be mentioned that he often talks about the increase of population *and wealth*, but it seems that wealth is mostly esteemed by Hayek as a means of raising the population (why could we not otherwise drop the population criteria altogether and focus on wealth alone?¹⁹⁵). Anyway, the following quote sums up his position, and it also (towards the end) shows something of Hayek’s metaethical skepticism, i.e., that the criteria he uses to evaluate good policies are not the best criteria in any objective sense:

The extended order depends on this morality [of private property, saving, honesty etc.] in the sense that it came into being through the fact that those groups following its underlying rules increased in numbers and in wealth relative to other groups [...]. And although this morality is not ‘justified’ by the fact that it enables us to do these things, and thereby to survive, *it does enable us to survive, and there is something perhaps to be said for that* (Hayek 1991: 70).¹⁹⁶

¹⁹⁵ Although underlying Hayek’s reasoning might be an idea that increases in wealth are simply impossible without a prior increase in population.

¹⁹⁶ Cf. Hayek (1991: 131): “We can hardly claim that to increase mankind is good in some absolute sense. We submit only that this effect, increase of particular populations following particular rules, led to the selection of those practices whose dominance has become the cause of further multiplication”.

Again, this quote also illustrates Hayek's view that somehow one should first and foremost be thankful that one is alive, and it would be lamentable never to have been born; or perhaps he is mainly contending that we should respect the fact (if it is a fact) that what people values most highly is to be able to procreate as much as possible. Thus, he claims that individuals who are more productive in certain senses may be more valuable to the community than others; he mentions, for instance, fertile mothers. This is because he believes that future unknown lives are more important than present lives, since "as with every other organism, the main 'purpose' to which man's physical make-up as well as his traditions are adapted is to produce other human beings" (Hayek 1991: 133).

Turning to the Secondary Literature

As I mentioned in the introduction a lot more has been written about Hayek than about the other writers I have been looking at in this study. However, those who have written on Hayek have seldom focused on what I believe to be *foundational* in his political philosophy. The following brief overview will serve to illustrate that point.

So when looking at the works written about Hayek's political theory one notices that the authors in question are mainly interested in his theory of the spontaneous order and the limits of human rationality (i.e., Hayek's critique of constructivism). Furthermore, the book-length studies of Hayek are usually meant to serve as introductions or overviews, and they do not provide much of critical analysis. What I have been most interested in when reading the secondary literature is how Hayek's consequentialist principles are handled – principles which I perceived as being fundamental when reading through Hayek's works. What we see, then, is that those principles are handled quite poorly, albeit to different degrees.

Tebble (2010) does not really mention the consequentialist side of Hayek at all. There is no doubt that Tebble is correct in saying that the "*leitmotif* of his entire intellectual enterprise" is about "the subjective, dispersed, socially constructed and 'tacit' nature of the unique and sometimes erroneous motivating beliefs relevant to the formation of complex social order" (p. 32). But I think it is difficult to turn this "*leitmotif*" into a *normative* foundation, which is what Tebble seems to attempt. On his account, Hayek's argument for the effectiveness of markets is about "how good they are at communicating knowledge *relative to some other method* such as central planning" (p. 62). In a way, Tebble tries to draw out a political philosophy right out of Hayek's economics. It is, of course, possible to perceive some pragmatical implications in Hayek's economic theory. The most pertinent is his criticism of planning and redistribution according to some specific notion of desert,

and that a society built on such notions would be quite impossible to handle. Linking justice to Hayek's economic theory would mean that the question of a good society simply *cannot* be "how should benefits and burdens be arranged in a world of limited resources, and of limited beneficence or endemic disagreement? Rather, it is which institutions of justice allow for the discovery of how benefits and burdens ought to be distributed under conditions of limited resources and knowledge" (p. 81, italics omitted). Now this interpretation of Hayek would not be unreasonable, were it not for two reasons. Firstly, Hayek explicitly mentions some consequentialist principles (which I have already mentioned), which make for arguments for liberalism that are quite independent of the knowledge problem. Secondly, there is the fact that Hayek does never deny the possibilities of *some* government planning, but since he does not provide any clear principles of when we should abstain from planning and when not, the knowledge problem becomes a poor guide in actual politics. To build a Hayekian *normative* argument for liberalism on the "knowledge problem" means, thus, to deliberately shut one's eyes to certain aspects of Hayek's writings, and that is what Tebble seems to have done. It should also be mentioned that Tebble tries to iron out some inconsistencies in Hayek's political theory by simply presenting them as unfortunate mistakes. For instance, he thinks that Hayek's "concession" of a minimal economic safety net for everyone means that Hayek himself is "falling victim to the very epistemological problems he identifies with the determination of any economic question of value outside of the market" (p. 71). However, the inconsistency seems to be so acute mostly because Tebble sees the epistemological aspect of Hayek's thought as fundamental to his defense of liberalism. On the consequentialist account (which Tebble does not contemplate) the provision of an economic minimum might well be justified.

Then there are the works that actually mention Hayek's consequentialist foundations, but it is rarely the case that they get more than a mention. Gamble (1996) briefly mentions the maximum population theory but not the maximum freedom theory. Thus, he writes that Hayek's "justification for the Great Society is in terms not of its higher morality but of its outcomes. The reason why civilization is better than primitive society, for Hayek, is simply that it supports a larger population. Progress is measured in terms of the number of additional human beings which industrial societies make possible" (p. 30). Gamble does not, however, explore this normative doctrine on a philosophical (or indeed empirical) level. Gray (1998) also mentions the maximum population theory (p. 33, 132f, 136) and he calls Hayek an "indirect utilitarian" in connection to the maximum freedom theory (p. 55-59). But Gray is hesitant to make much of these arguments – like most readers of Hayek he is mostly interested in the knowledge problem. And to the extent that he is interested in Hayek's normative foundations he sometimes sees the Kantian element as equally (or perhaps even more) fundamental to understand Hayek (p. 63). It should, however, be mentioned that Gray added a

postscript in a later edition of his book on Hayek¹⁹⁷ (originally published in 1984) where he notes “the absence in Hayek of any well-developed ethical theory”, and goes on to say that “[n]owhere in Hayek’s voluminous writings on social philosophy is there any account of what makes a good society, or, more generally, of human flourishing. Instead there is a mish-mash of Kantianism with evolutionary ethics and indirect utilitarianism” (Gray 1998: 148).

Gissurarson (1987) seems to recognize (at least implicitly) that there is a consequentialist foundation to Hayek’s political philosophy,¹⁹⁸ but he discusses it very little, stating that an analysis of that foundation is beyond the scope of his study. Indeed, his book is called *Hayek’s Conservative Liberalism*, and a discussion of that political ideology (not the normative principles that ground it) is what we get – albeit a discussion which in itself should be interesting for those who are interested in Hayek’s *ideology*.

Kukathas (1989) is one of the few books on Hayek that contains extensive philosophical discussion on the normative level.¹⁹⁹ He does not really discuss the maximum population theory, but he does discuss the (preferentialist) maximum freedom theory (albeit briefly). More interestingly, he also discusses a more positive interpretation of the latter theory, a sort of eudaimonist conception, which, according to Kukathas, has some similarities with John Stuart Mill’s philosophy. On this account, liberty is valuable insofar as it improves moral and intellectual qualities. The main difference, though, is that if Mill still has some veneration left for “old-fashioned” happiness, then Hayek “rejects the idea that happiness is in any sense an important concern. What he lays much greater stress on is the very engagement with the world in which man exercises his capacities and, so, produces what is called ‘civilization’. What ‘satisfactions’ or ‘pleasures’ are produced in the course of all this are of little moment. What matters is the engagement, the ‘striving’: the ‘movement for movement’s sake’ which Hayek equates with progress” (p. 137f). Kukathas does, however, see some problems with this view, and I think he is right in not considering this as in any sense fundamental to Hayek’s normative political philosophy. To do so would really be a case of creating a hen out of a (very small) feather.

¹⁹⁷ In the first edition, Gray is generally quite positive about Hayek’s political thought. In the postscript fourteen years later he is highly critical.

¹⁹⁸ Although he seems to contradict himself on one occasion: “It is important to understand [...] that Hayek’s support for liberal institutions like property does not rest in any requirements of abstract reason or morality (as Nozick’s support for the same institutions seems to do), but in their ability to sustain the Extended Order” (Gissurarson 1987: 43f).

¹⁹⁹ Shearmur (1996) also belongs to this category; a book which actually contains some detailed discussion of utilitarian themes in Hayek, but strangely enough there is virtually no discussion about the two types of consequentialism that I singled out as being the essence of Hayek’s argument. Shearmur is, furthermore, more interested in *developing* Hayek’s thought (creating a broadly Hayekian research program) than scrutinizing Hayek’s thoughts as they stand. Developing (and maybe improving) someone’s ideas is, of course, a valuable endeavor but since that has not been the aim of my dissertation I found little help in Shearmur’s book.

So what, then, does Kukathas see as the normative foundation of Hayek's political philosophy? It seems that he does not have a conclusive answer to that question. Since he highlights the anti-rationalist dimension in Hayek, he has to rule out a lot. For instance, he says that "[t]o see Hayek as a utilitarian is to emphasize the rationalist element in his thought when so much of his argument is anti-rationalist. The case for liberty is not simply that it will lead to superior consequences which we can predict, and still less that the individual as a rational being is better able to identify his interests if left free to do so" (p. 139). Kukathas also describes the Kantian and the "conservative" theories that can be found in Hayek, but he does not think that the tension between the different strands can be resolved. In short, there remains "an important an unresolvable conflict in Hayek's thought between the search for a moral justification of the principles of a liberal social order, and a moral epistemology which denies the possibility of such an undertaking" (p. 20f).

I think, however, that this "unresolvable" conflict in Hayek's thought to a large degree has been solved by Lundström (1993)²⁰⁰, who bases his analysis of Hayek's political philosophy on the conception that Hayek is working on two levels: a rationalist consequentialist one and an anti-rationalist "conservative" one. Lundström treats Hayek's kind of preference-utilitarianism as foundational, and then regards the part of Hayek's political thought that most scholars focus on, namely the rule of law, the spontaneous order etc., as *instrumental*: "To Hayek a spontaneous order is obviously something desirable. It is assumed to be necessary to fulfill the most fundamental values defended by Hayek. But a spontaneous order does not have a value in itself; it has an instrumental value. Hayek's normative theory is consequentialist. A spontaneous order maximizes the chances of an unknown individual to realize his preferences" (p. 65f, my transl.). I think Lundström has correctly perceived that a lot of misinterpretations occur just because Hayek's political theory moves back and forth between an "abstract" level and an instrumental level. To quote Lundström again: "On the one hand, Hayek's project consists in formulating certain general normative principles. On the other hand, it consists in inculcating certain *perceptions* among political actors – perceptions that are instrumentally suitable given his fundamental normative theory. The first task is theoretical and philosophical, the second instrumental and ideological". Furthermore, the latter task might actually be described (and that is what Lundström does) in a pejorative sense, since "the aim is to

²⁰⁰ As far as I am aware, this work has not been translated from Swedish to English (apart from a much shorter version of his study, presented in Lundström [1992]), which may account for the fact that Lundström's analysis does not seem to have reached many scholars on Hayek. However, for some critical (albeit not extremely convincing) comments on Lundström's theory, one can turn to Blomgren (1997: ch. 5) – a dissertation available in Swedish only. Sugden (1993) does, moreover, hint briefly at some similar thoughts as those espoused by Lundström.

get people to subscribe to ideas that are not necessarily correct or true” (p. 130, my transl.).

This means that Hayek sometimes – on the “ideological” level – defends codes of conduct derived from moral theories that he himself are opposed to. Even if he is a consequentialist himself (a sort of preference-utilitarian) he is very reluctant to spread this view throughout society, because that may give the worst kinds of rational constructivists political hubris. We see, for instance, in *The Road to Serfdom* that even though he thinks that “[p]robably nothing has done so much harm to the liberal cause as the wooden insistence of some liberals on certain rough rules of thumb, above all the principle of *laissez faire*,” he nevertheless claims that at a certain time in history such a wooden insistence was “necessary and unavoidable” (Hayek 2007: 71). This is because otherwise numerous interest groups would have tried to introduce measures with obvious benefits to some, but whose indirect harmful effects would be hard to discern. Therefore, Hayek seems to argue, a hard and steady rule is better to adhere to, even if it were the case that some particular measures that goes against *laissez-faire* would in reality not be harmful to liberty. In the end, however, the *laissez-faire* principle became the victim of its own success, because, according to Hayek, the successes that it brought made people even more impatient and led them to expect more from politics (ibid.: 72). This is probably why Hayek’s liberal stance was mixed with a measure of conservatism. A conservative liberalism seems less dangerous to propagate, since radical liberalism (or utilitarianism) can easily give people ideas that other kinds of “planned radicalism” (such as socialism) are equally feasible alternatives (cf. Hayek 2006: 54).²⁰¹

Anyway, if we want to make a judgment of Hayek’s moral *foundations* (and not on the “ideology” that he wants to spread for instrumental reasons) we should concentrate on the consequentialist side of his political thought. But that is precisely what the research on Hayek has not been concentrated on. In particular, no one really appears to have looked at Hayek’s substantial claim that the “free”, or capitalist, society, as compared to other societies, maximizes the chances of an unknown person to realize his or her ends. This is a bit surprising, since this appears to be the foundational claim of Hayek’s whole case for liberalism.

²⁰¹ One can also mention Hayek’s views on religion. Although he is an “agnostic” himself (he claims that he simply does not understand what the word God is supposed to mean), he nevertheless thinks that “we owe the persistence of certain practices, and the civilization that resulted from them, in part to support from beliefs which are not true – or verifiable or testable – in the same sense as are scientific statements, and which are certainly not the result of rational argumentation.” And he believes that even today the loss of these beliefs “creates great difficulties” (Hayek 1991: 136f).

The Maximum Population Theory Examined

As we have seen, most major studies of Hayek's political philosophy barely mention the theory that liberty is good because it maximizes population. I am not aware that any political philosopher has ever used that criterion before as a measure of a good society, so perhaps most commentators merely view it as a slight anomaly in Hayek's theory that can be disregarded without doing any harm to the overall structure of his thought.

Still, it would be strange to leave it entirely out of consideration since Hayek, especially in his later years, seems to have viewed the population theory as important for his justification of the set of rules that built our "civilization". As mentioned, the theory about maximizing an unknown individual's possibilities is not mentioned at all in *The Fatal Conceit*, but he is referring to the population theory quite a lot. And in a speech delivered in 1983 increases in population is explicitly invoked as a criterion with which to evaluate sets of rules (albeit sometimes in combination with other, though rather vague, criteria). Thus, he says that evolved "moral rules [i.e., rules that people should follow for instrumental reasons] which are not the creation of human design [...] cannot be scientifically said" to be "good or bad, unless we look at them from the point of view of what effect they had on the development of mankind, of the number of humans and of their civilization. This remains the basic question" (Hayek 1983). Hayek, who is a moral skeptic (a non-cognitivist) does not think any moral principle can be proven to be better or worse than any other, but he believes that *insofar as* we value the survival and further multiplication of human beings we have at hand some kind of measure of what a "good" policy is. His empirical claim is the continued adherence to certain values that have *evolved* in Western society – principally "the tradition of [...] several property and the tradition of the family" has proven to be a successful strategy because these "cultural properties" has helped those groups who adopted them to "multiply faster than other groups [...] and gradually displace the others" (ibid.).

Clearly the discussion of the increase in population, at least in the later Hayek, is presented not merely as a descriptive theory, but as normative one as well. As a normative theory it does not, however, seem to be very appealing. After all, why should we be interested in the number of people that exist *per se*? There has, of course, long existed a well-known utilitarian discussion on this topic.²⁰² Perhaps one could increase the sum of pleasure in this world by bringing more happy people (or at least not unhappy people) into it. Or

²⁰² If we go back to the beginning of the 19th century we find Richard Kirwan writing the following: "It is said [...] that the population of Egypt was very considerable, and thence it is inferred that the state of the inhabitants was happy. Yet I think this an insufficient proof of general happiness, for wherever food can easily be procured, the population will be considerable, though in many respects miserable" (Kirwan 1810: 87).

should we only count the happiness of people that actually exist? However, since Hayek is not a hedonist, and since he, furthermore, does not believe in the possibility of aggregating individual states of mind, this discussion is not relevant for him. An increase in population is not valuable for him because it increases the sum of happiness (if that is what it actually does).

If we want to find another goal in Hayek's thought that population numbers might be subservient to, the most plausible candidate is material progress. In a few places (indeed very few) Hayek actually seems to talk about population in this *instrumental* way. Lundström (1993: 128, my transl.) sums up this view, claiming that Hayek means that "[t]he chance that a randomly selected individual can realize his preferences increases when the population of which the individual is a member increases". This is because the further division of labor that increases in population make possible also has the potential to increase output. If this is what Hayek means then it is a shame that he does not make this connection more often, instead of speaking as if the maximization of population is the foremost goal and the best criterion for successful policies (or sets of rules and traditions). Anyway, if the increase in population is just a means to some other, more fundamental, end, then our analysis must continue with an examination of that other end.²⁰³ The most obvious candidate is what I called the maximum freedom theory.

(As for Hayek's frequent claim that one can not complain about "capitalism" because without that system one would not have been alive to complain about it [because capitalism made the tremendous increase in population during the last couple of centuries possible], I regard it as pure nonsense. Being alive and never having been born is obviously – without going into the philosophical details of why this is so – not states of being that one can meaningfully make comparisons about.)

I think we must draw the conclusion that the maximum population theory cannot really be regarded as a fundamental normative axiom in Hayek. But the size of the human population is, of course, a relevant question to ask *in connection to* the maximum freedom theory. But even if it is generally the case (as Hayek usually seems to believe) that increased populations increases the freedom (i.e., chances of realizing one's goals in life) there is bound to be some point where this is no longer true. There is, in other words, some point where Hayek has to deal with what Parfit has called "the repugnant conclusion", which is that we may have to choose a world with an "enormous population whose members have lives that are not much above the level where life ceases to be worth living" (Parfit 1987: 388). In such cases, it seems that Hayek must make a choice between quality of life and the size

²⁰³ I am leaving aside the discussion about what the economic consequences of increased population really are. Hayek does, by the way, not provide any real empirical discussion about this. And some people would probably find it absurd to focus on increased populations in a world that may be severely overpopulated (given present levels of energy-use and the like).

of the population. As indicated, in most of Hayek's writings he opts for the former alternative, and I hope this section has given some arguments why that may have been the better alternative. Still, we have to see if that choice does not have some problems of its own.

The Maximum Freedom Theory Examined

What we are left with – in the end – when analyzing Hayek's moral foundations is a concern for the chances that individuals have of realizing their plans. As previously mentioned, there is a theory in Hayek about taking unknown individuals at random from different sorts of societies and comparing them with respect to their chances in life. In this we find that Hayek does really provide (at least in theory) a way to compare societies in a more or less concrete way. What makes this comparison difficult is, however, that Hayek is (as ever) notoriously vague about what it is that should be compared. Were he to adhere to negative liberty plain and simple, in the sense of degrees of physical obstacles to individual action, it would perhaps be easy. We would end up in anarchism (or if not anarchism, then surely a much more limited state than Hayek ever contemplated), acknowledging only voluntary agreements and regarding the outcomes of these agreements as wholly irrelevant. The society that lays the fewest obstacles in the way of people would be the best society.²⁰⁴ But even though Hayek often speaks about negative liberty being more “genuine” liberty than positive liberty, we cannot interpret him as really meaning that, especially since he believes that individuals can legitimately be taxed in order for some material redistribution to take place. So what we are to compare when looking at unknown people from different kinds of societies is not the lack of coercion in any absolute sense. Hayek does not regard all coercion by the political authorities as evil (as do Rothbard and Hoppe).

So what kinds of possibilities is it that Hayek wants to maximize? What he usually talks about is successful pursuit of purposes and the like. He describes human interaction where different values sometimes conflict with each other, which means that everyone's preferences cannot be satisfied to the same degree. So the ideal (“what we regard as civilization”) will “depend on the factual condition that the several plans of action of different individuals become so adjusted to each other that they can be carried out in most

²⁰⁴ There are, of course, many difficulties with that kind of comparison too. When we look across countries we find that interferences with negative liberty comes in different forms. How do we, for example, weigh trade barriers against prohibitions of certain types of sexual behavior? Is a country, which is prohibitive in the first respect but more lax in the second respect, more or less free than a country that has the opposite policy?

cases”. And that there is no fixed formula given once and for all for establishing this condition becomes clear when Hayek says that “the task of preventing conflict and enhancing the compatibility of actions by appropriately delimiting the range of permitted actions is of necessity a never-ending one, requiring not only the application of already established rules but also the formulation of new rules necessary for the preservation of the order of action” (Hayek 1973: 111, 119). What kinds of rules will maximize the realization of individuals’ plans is, thus, an empirical question of what set of rules and traditions do best further that cause.

Lundström (1993: 123f) summarizes Hayek’s normative theory in three points: universalism, consequentialism, and welfarism. This clearly has similarities with “common” utilitarianism, but the main difference is that Hayek rejects any aggregation. While, for example, someone like Harsanyi (according to Lundström) assumes that a rational actor would choose the society which has the highest average utility, Hayek assumes that a rational actor will choose the society where the chances for an unknown individual to maximize its preference-satisfaction will be the highest.

One problem, however, (and it seems to be a big problem) is that Hayek’s comparisons between different societies – between chances of unknown individuals of satisfying their preferences – are extremely vague. The main line of argumentation makes a distinction between “socialism” on the one side, and “capitalism” on the other. The first kind of society is one where the economy is thoroughly planned, and the other kind is a society that respects values like private (or “several”) property, the rule of law, and the family. There are, however, no clear lines of demarcation in Hayek’s development of these concepts. Unless we are able to distinguish between different sorts of welfare states (which is what we have in the industrialized world today) we can only conclude that the Eastern bloc (of the cold war) was worse than the Western bloc in terms of chances in life for its inhabitants (or an inhabitant picked at random), which is not much of a conclusion (since it is so uncontroversial).

Now Hayek is usually regarded as one of the godfathers of neoliberalism, so what one would hope to find is a clear argument that shows that an unknown individual who lives in a less “generous” welfare state should have more chances to realize her preferences than someone living in a more extensive welfare state. This kind of argument is, however, hard to find in Hayek. And it does not seem implausible to believe that the comparison would be unfavorable for the neoliberal. Some (or perhaps one should say: a lot of) research indicates that it is in fact the Nordic welfare states who realize “the American dream”, rather than the United States itself (although it may be debated whether that country is in fact closer to the neoliberal ideal than the Nordic states), in that the former countries provide better possibilities for individuals to become what they want to become, in spite of being born in unfavorable circumstances (see, e.g., Lind 2009, Wilkinson &

Pickett 2011). It is interesting to note that virtually no studies of Hayek (that I have seen) actually tries to make these empirical comparisons, but it may be due to the fact that most studies are not focused on Hayek's *actual* normative foundations. What the Hayekian liberal needs to show, however, is that "classic" liberalism actually improves the life chances of an unknown individual more than "social" liberalism (or social democracy) would do. It is not enough to show that a socialist dictatorship is much worse than either system.

Furthermore, one should probably ask who the random individual that Hayek's theory revolves around is. If it is the case that our preferences and life-plans too a large degree are shaped by the society we live in, then it should be difficult to envision living in a society much different than one's own. No doubt, most human beings share the goal that they want their basic needs satisfied, but that may not take us very far. What we may need is some sort of veil of ignorance à la Rawls, but it is unclear whether Hayek would endorse such a construct.²⁰⁵ But if he did, how much can his own principles differ from the kind of welfare state envisioned by Rawls? On the face of it, it seems only a small matter of degree whether people under the veil of ignorance would choose Rawls's famous principles – which includes the idea that inequalities in wealth should be accepted if they are to the benefit of those who are worst off – or if one would prefer Hayek's more rudimentary welfare state with at least *some* assured assistance for those unable to work, some free schooling, and the like.

Hayek on Democracy

In the previous chapter I suggested that Rothbard and (especially) Hoppe's hostility towards democracy is greatly facilitated (if not entailed) by their view that there is an objective standard of morality: if various degrees of coercion is an essential feature of democracy, and coercion is objectively immoral, then how can we endorse democracy? Mises does not really have to face this problem – he denies the existence of objective values, and he basically endorses majority rule (albeit with possibilities for secession when, for instance, ethnic minority groups are in constant minority). But what about Hayek? He is not an anti-democrat, but he is very skeptical of "pure" majoritarianism. Presumably, this is because he is afraid that the voters will endorse "bad" policies, so what he needs is a standard *external* to the demo-

²⁰⁵ It is a matter of scholarly debate whether Hayek's explicit endorsement (in *Law, Legislation, and Liberty*) of some of Rawls's thinking is due to a misunderstanding (on Hayek's part) of Rawls's theory of justice, or whether there actually is deep similarities between the two thinkers; see Williams 2005: 49-52.

cratic process itself to which actual majoritarian decisions can be compared. In Rothbard and Hoppe that standard is “objective” morality; but can we find something similar in Hayek? Well, I have already answered that question in the negative. Hayek does not believe in any “objective” standard of morality. To him (as for Mises), a scholar writing on politics can only approach normative statements in the form of hypothetical imperatives: *given* certain goals, one can propose the best measures to reach those goals (and, as we have seen, most of Hayek’s political philosophy develops what means are most appropriate given that your goal is either maximizing the opportunities for a random individual or the multiplication of mankind).²⁰⁶ But before I reflect some more about what this reasonably should entail for democracy, let us see in some more detail how Hayek conceives of this type of government.

His theory of democracy has been most fully developed in the third volume of *Law Legislation, and Liberty (The Political Order of a Free People)*. Perhaps the main component of his theory is the distinction between legislation and the conduct of government business. He maintains that modern democracy has conflated these tasks, although they should be separate, and preferably fulfilled by different bodies. We call modern democratic bodies “legislatures”, but “by far the greater part of their work consists not in the articulation and approval of general rules of conduct, but in the direction of the measures of government concerning particular matters” (Hayek 1979: 22). Now we have already seen what importance Hayek places on general rules, so it is not surprising that this is of concern to him; and since he believes that it should not be possible to change established rules and traditions too easily, it follows that the “true” legislature – based on a “commitment to act on stated principles rather than a decision how to act in a particular instance” (ibid.: 37) – must be institutionally separate from the governmental assembly.

In practice, this institutional separation amounts to different criteria of eligibility to the two chambers of government. To make sure that the legislature does “not simply provide those laws which the governmental body wanted for its purposes”, the same principles of representation cannot be applied.²⁰⁷ So what Hayek proposes for the legislative assembly is that it would be composed of “men and women between their 45th and 60th years, one-fifteenth of whom would be replaced each year”.²⁰⁸ The long periods of

²⁰⁶ It may, of course, be possible to discuss hypothetical imperatives only, even if one believes that there are objective absolute imperatives (and to discuss subjective absolute imperatives), but that appears to be uncommon among moral philosophers.

²⁰⁷ Indeed, the Swedish two-chamber system was abolished (in 1970) because most of the differences between the chambers gradually vanished anyway during the 20th century.

²⁰⁸ The method of election Hayek suggests should be “to ask each group of people of the same age once in their lives, say in the calendar year in which they reached the age of 45, to select from their midst representatives to serve for fifteen years” (Hayek 1979: 113).

service (and non-eligibility for a second term) would presumably assure that they would not have to succumb to popular pressures in order to be reelected. The relation between this legislative assembly and the governmental assembly would be that the latter “would be bound by the rules of just conduct laid down by the Legislative Assembly, and that, in particular, it could not issue any orders to private citizens which did not follow directly and necessarily from the rules laid down by the latter” (Hayek 1979: 112, 113, 119). Furthermore, it is interesting to note that not only does Hayek propose special rules of voting and representation for the legislative assembly, but also for the governmental one. For one thing, he believes it to be unreasonable that government employees or people who are supported by the government by pensions and the like should have the right to vote. The fact that he also excludes people who are employed by the state from the franchise seems to restrict the voting population quite a bit. Gamble (2013: 359) even estimates that “[o]n Hayek’s own criteria, the percentage of people who could be trusted to vote responsibly, because they have a direct experience and understanding of the market order, constitutes a small minority of the electorate.” And Gamble adds that Hayek “would have had to disenfranchise himself, as a state employee during most of his career”.

The point of this reform of the democratic system is to “prevent the bad consequences of the democratic procedure we have observed”. The bad consequences he is talking about is largely that government becomes “the play-ball of all the separate interests it has to satisfy to secure majority support”, which, in turn, opens “the floodgates to arbitrariness”, mostly in the form of “social justice”. And this is the main crux of the matter for Hayek, that “unlimited” democracy makes it possible to portion out assistance, not on the basis of general rules, but on the basis of “arbitrary” groups who are perceived as being in need of assistance. (Hayek 1979: 98, 99, 103).

Thus, Hayek is expressing a classical liberal-conservative concern that democracy will result in “bad” laws and measures, unless it is limited in some ways – by special rules of eligibility or voting rights, by the establishment of two chambers, by constitutional courts, etc. To put it in more philosophical terms we might say that he is advancing an *epistocratic* view of democracy, in that he is basically claiming that “[i]f we could identify a subset of the adult population who are especially apt to give the correct answers to disputed questions about justice and the common good, it would seem manifestly more reliable to let them decide than to ask everyone (i.e., to ask the less competent as well)” (Gaus 2003: 165). John Stuart Mill’s version of epistocratic democracy is perhaps the most well-known (where, e.g., more votes would be given to more educated people), and Hayek’s system may be described as a muted version of Mill’s. The problem is, however, that this view is based on the claim that there really is an “objective” answer to which policies are good and which are bad, and that it is (at least in principle) possible to find moral experts, – Hayek, for instance, assumes that people with

more life experience (i.e. people over the age of forty-five) will be more likely to establish just laws – but, as I have already pointed out, Hayek does not believe in objective morality. Still, he believes that a democratic system must be designed to facilitate certain views of justice over others. He wants to make it easy to establish general rules equally applicable to everyone and difficult to mete out resources to “special interests” on a temporary basis. The question is how he can claim this special privilege to his own conception of justice if he does not believe that this conception is *the* moral truth. Estlund (2006: 30) has defined “epistocracy” as consisting of three tenets: (1) there are true procedure-independent normative standards by which political decisions ought to be judged; (2) some (relatively few) people know those normative standards better than others; (3) the normative political knowledge of those who know better is a warrant for their having political authority over others. It seems that it would be hard to justify tenet 2 and 3 if one does not subscribe to tenet 1; but that is what Hayek (at least in practice) seems to do.

But not only is Hayek’s theory of democracy puzzling in light of his metaethical views; it is also the case that it seems designed only to support his view about the importance of traditions and general rules. However, as I have already discussed, this is not the actual foundation of his normative theory.²⁰⁹ If it is the case that the goal of his political philosophy is that a random individual’s chances in life should be maximized, then should he not show (through empirical study) that the sort of democracy that he is advocating is the one that has the best chances of doing this? As already mentioned, the Nordic countries generally perform quite well on the life-chances account, even though the democratic systems in these countries are rather unconstrained by epistocratic elements or other kinds of checks and balances. Now it may be the case that the democratic system in itself has little to do with the political outcomes of those specific countries (or of any countries), and that it is “social capital” or something like that that does the work, but that does not alter the fact that Hayek’s empirical discussions (and *empirical* they must be) of what brings about the consequences that he values are highly insufficient.

²⁰⁹ Horwitz’s (2000) description of Hayek’s theory of constitutional democracy suffers from this neglect of what I have interpreted as Hayek’s normative foundations. According to Horwitz, Hayek’s theory of democracy flows directly from his epistemological considerations. My analysis, however, has been based on the idea that his insistence on “caution” (because of knowledge constraints) in politics is expressed on the ideological (instrumental) level, and not on the level of normative philosophy.

Final Remarks

Some critics will probably claim that my discussion of Hayek has been much too brief to enable a previously uninformed reader to form a well-grounded opinion on Hayek's political thought. The fact is, however, that Hayek is so vague on practically everything that a thorough analysis of Hayek would demand that one first makes extensive reconstructions of his system in order to fashion an edifice that can stand properly, and then proceeds to demolish this pseudo-Hayekian system. In previous chapters I have said that the complete neglect of Mises, Rothbard, and Hoppe might not be warranted, but in the case of Hayek I must say that he has been somewhat over-studied, at least as a political philosopher (in areas such as new institutional economics his thinking may be of more value). As a political philosophy, his thought is simply too vague to be of much use. There is one germ of a theory that might be promising, namely the normative idea that the life chances of an unknown individual should be maximized, but as I have indicated Hayek does not make much of it himself. What is worth studying in Hayek is really his rhetoric and his ideological force (and how this connects to the historical context), not his philosophy.

Besides, having identified Hayek as a preference-utilitarian it might be added that most of the more detailed criticism against Mises (see ch. IV) is applicable also to Hayek. The most striking difference between Mises and Hayek is that the former seems to have clearer ideas of what people *actually* desire. Mises mostly conceives people's preferences as consisting in the desire to ameliorate their material standards of living (based on observations of what it is that political parties usually cater to), and he believes that strict *laissez-faire* will best achieve that. Hayek does not really put forward any conjectures as to what people usually do want; but the fact that he always seems to have allowed for a good deal of statist interventions (e.g. providing a material minimum and free education) might suggest that he is aware that what most people desire from their governments is a complicated question. Not only "prosperity" is important, but also security, comfort, tradition, and so forth. And the fact that Hayek explicitly condemns too strict an application of *laissez-faire* suggests that he is aware of all this. Now what one has to do as a (preferentialist) Hayekian is conducting empirical observations to get the full picture of people's actual preferences and what kind of institutional mix will best satisfy them. No doubt a large measure of respect for private property and personal freedom will be part of this mix, as well as some of the welfare provisions that many people nowadays probably regard as entrenched traditions. But if we do not try to concretize these things, and leave everything up to fuzzy speculation, we might just as well end up with a Rawlsian scheme, or a Misesian, as well as a Hayekian. A large spectrum

from “right” to “left” remains open, and a political philosophy that ends up with such a result may not be much of a guide in real politics.

VIII. Conclusions

In this study I have looked at the writings of some economists who were (or, in one case, are) proponents of the Austrian approach to economics, and who have also espoused strong convictions in matters concerning ethics and political theory. The first question to investigate was whether the Austrian approach in itself seems to imply any normative principles, just as mainstream economics sometimes is said to do. As my answer to that question was largely negative, an analysis of the substantial moral philosophies of the Austrian economists in question seemed all the more pertinent, since those philosophies play separate (in the sense of not being implied by the economic models) roles as building blocks in the political “constellation” that they defend.

We found, thus, that praxeological economics in itself cannot really exclude any kind of political measures, short of complete planning. The state might intervene in the economy and the lives of citizens for many different reasons: to lower or raise prices of certain goods (which may, in turn, be done for many different reasons), to reduce income inequality, to increase national security, to prohibit irreligious actions, to protect the environment etc. A praxeologist can claim that if the actions have the opposite effects from those the interventionists wanted, then this is a bad (ineffectual, “irrational”) intervention. The praxeologist can, thus, say (as an economist) that if you want more apartment buildings (and nothing else), then (*ceteris paribus*) it is a bad policy to set a price ceiling for rents (because there will in reality be a shortage of houses, since the cap on rents will stop many entrepreneurs from going into that business). But if the policy makers are mainly interested in lower rents for those that actually get an apartment (and are not particularly bothered about long queues), then the praxeologist cannot really reach a verdict, since there are actually people who will benefit from the policy (and we cannot compare the losses for those who do not benefit with the gains for those who benefit without making value judgments). We have also seen the Misesian example that price ceilings on milk is a bad policy if one wants to ensure that more children get milk (because the price control will create shortages). Again, there is the possibility that policy makers may accept the shortages and let people stand in line for their milk (they might think it is a small price to pay for the reduction in price for those who get a hold of the milk); but there is also the solution that Mises himself discusses (and which he does not seem to condemn *as an economist*), namely that the government distributes money (acquired through taxation) to the poor and

lets them buy milk (or whatever they need the most) on an unregulated milk-market. In short, those who want to intervene in the market (and in social life in general) can almost always find some argument that should satisfy the praxeologist (provided that they can point to anyone who actually benefits from the policy in question).

Thus, the praxeologist needs to complement her or his economic doctrine with some value judgments in order to make any kind of policy recommendations (because, as we have seen, in practice no implicit value judgments can be found in praxeology itself). In the present study I have presented some of those ethical theories that Austrian economists have used in combination with their economics. Here follow the basic conclusions of the separate analyses:

In the chapter on Mises, we saw that his utilitarian philosophy is, in many senses, vague and undeveloped, and I argued that he might be interpreted either as a hedonist or as a preferentialist. In either case he does not, however, discuss the operationalization of his principles, leaving it difficult to decide which societies score high and low on his utilitarian scale. Furthermore, some of his empirical generalizations about people's actual preferences seem very simplistic, based on crude political observations, or maybe just intuitions. I also made some remarks about the conceptual difficulties in juxtaposing capitalism and socialism, and relying on slippery-slope arguments. Much of this fits the rhetoric of the age in which Mises developed his political thinking, but outside the field of political rhetoric his dichotomizations (mainly between socialism and capitalism) are largely irrelevant.

In the chapter on Rothbard and Hoppe we encountered attempts to develop a more sophisticated moral philosophy, based on realist metaethics (of a kind that Mises emphatically rejects). Since much of Rothbard's and Hoppe's rejection of the state rests on their metaethics, I concentrated my analysis on just that. I concluded, however, that it is wholly indefensible (meaning that their claim to have provide an *objective* ethical theory is false), and that their rejection of democracy is all the more disturbing in light of the fact that the rejection is based on this indefensible metaethical realism.

My analysis of Hayek established that almost all research on Hayek seems to have disregarded his actual normative foundations, which I argue are more rationalistic than the "conservative" thought that Hayek is more widely known for. I did also find, however, that the normative foundations of Hayek's thought are very sketchy, and they do not in any obvious way lend support to the kind of liberalism that Hayek (and – perhaps even more pertinent – many of his disciples) usually supports. I also argued that his views on democracy seem to be, at least in some ways, incompatible with his metaethical views.

I started this study with some remarks about the changing agenda of some of the Austrian School economists – the assertion that one cannot turn to economics alone to establish a libertarian position, but that one must also

develop an ethical framework. As we saw in the introduction, Hoppe, for one, does not think it is enough to dismiss some economic policies as “stupid” – to be effective, one must also be able to dismiss them as “evil”, that is morally reprehensible. So, the question I have been trying to answer is whether there is any well thought-out moral philosophy to be gotten in the writers connected to the Austrian School. The answer seems to be negative. I do not think any of the thinkers I have analyzed have been able to present a solid argument for the political positions they are defending (and I hope I have been able to demonstrate that sufficiently).

So, what kind of contribution can an Austrian perspective make in political philosophy (and in politics)? If it is the case that Austrian Economics itself does not entail any ideological commitments, do we have other uses for it? Well, even if we do not subscribe to a kind of libertarianism that many Austrians subscribe to, it is probably the case that we can – provided that we believe Austrian Economics to be sound economics – let the Austrian view inform our political decisions. Even if your own political philosophy demands extensive state involvement in the lives of the citizens, an Austrian perspective might well contribute to solutions as to how this involvement should be designed. Austrian Economics cannot tell us whether we should feel a moral obligation to help people who cannot find work (or whether we should support people who simply don’t want to find work!), but it can inform us about how to help them (is it, for instance, more effective to achieve this through price and wage controls or through cash transfers directly to the help-seekers from the tax-based state coffers?). A Hayekian who is trying to design a welfare state may well claim that there is nothing inherently wrong with regulations, as long as those regulations are applied in a predictable way that makes individual planning possible. Hayek himself has written that although some “controls of the methods of production impose extra costs [...], they may be worth while. To prohibit the use of certain poisonous substances [...], to limit working hours or to require certain sanitary arrangements, is fully compatible with the preservation of competition [...]. Nor is the preservation of competition incompatible with an extensive system of social services” (Hayek 2007: 86f). The important thing is that there is as little tampering as possible with prices and quantities of *particular* commodities. Designing a rather extensive welfare state along these lines seems entirely possible (especially if we disregard Hayek’s ethics and only apply his economics – combined with another set of moral principles).²¹⁰

Thus, Austrian Economics may be helpful on a practical plane, whether one is a libertarian or a social democrat. But on the “rhetorical” plane it is hardly helpful. Much of the classical works in 20th century Austrian Economics are framed in a polarized context, which does not seem to be relevant after the 1980s. As I have shown, much of Mises’s discussion about capital-

²¹⁰ Cf. Gamble 2013: 347f, 360f.

ism and socialism relies on very dubious definitions of those concepts, as well as a sort of slippery-slope argument against (the equally ill-defined) interventionism.²¹¹ The whole argument seems to rely on the Soviet bogeyman. And an investigation of the context of many of Hayek's works would demonstrate the same thing. Hayek's ascendancy to fame came at a time when people like himself saw the need to identify "Nazism, fascism, Soviet communism, New Deal social reform and Keynesianism as part of a larger collectivist impulse, which was threatening to devour the philosophy of individual freedom" (Turner 2008: 63).

I suspect, however, that very few people see our future as bound to the fateful choice between laissez-faire capitalism and (in the end) a thoroughly planned economy – a view which entails that the interventionism under which most of the readers of this book probably endure, is a system doomed to develop into socialism (and eventually total chaos). Thus, the rhetorical value of many of the Austrians' political exhortations seems to be very limited. To many people, the worry that ignited Mises and Hayek in the first half of the 20th century is probably not as acute today as it may have been, and many would probably agree that "[n]eo-liberals like Hayek, Milton Friedman and Lionel Robbins [...] set up a false dichotomy in their thought between collectivism and liberalism, which later became the cornerstone of neo-liberal ideology" (Turner 2008: 75).

We see, then, that if we view the political philosophies propounded by the Austrians as constellations, consisting of three components (economics, ethics, and politics), then we should be clear about what part of the constellation we are scrutinizing – especially since, with the Austrians, the constellation is not an "organic" whole. The different parts can be separated and do not in any significant way entail each other. It is entirely possible to be an Austrian *economist*, while eschewing all of the ethical propositions presented in this study, as well as the contextual "necessities" of politics or the empirical observations on political behaviour – just as it is possible to eschew Austrian economics, but share one or two of the other components with some of the Austrians. As I have tried to show, this is not an opinion held by all. There are those who believe that the Austrian politico-philosophical constellation *is* a rather organic whole. Nevertheless, I hope I have succeeded in raising some significant doubts about the "organic" approach.

We might also ask what Austrian Economists and libertarians may learn from all this. I guess my main advice would be that insofar as they want to spread libertarian principles, they should not rely on economics to support it, but rather develop their ethics in order to withstand the criticism made against their present positions. The result of this may of course be that the

²¹¹ Slippery-slope arguments are, of course, not *necessarily* fallacious, but in the case of Mises (and other Austrians) they seem to have weak empirical support (and they are usually not praxeologically grounded in aprioristic reasoning).

more empirically minded ethics of Mises and Hayek may simply not hold up to scrutiny. To prove that societies that are more liberal than our Western welfare states will allow people to satisfy their preferences to a higher degree may be a tall order. The more radical ethical arguments of thinkers like Rothbard and Hoppe may actually be easier to pull through, since “messy” real world data cannot refute their principles. After all, I think that there are a not insignificant number of people who would share the intuition that physical coercion is morally bad. The problem with Rothbard and Hoppe, however, is that they claim that this is not “just” an intuition – and dropping the supposedly objective truth of their principles they would probably not be eager to do. They refuse, in other words, to make the “marketplace” of intuitions the basis of politics; but rejecting this marketplace is tantamount to rejecting democracy, and, as we have seen, that is just what they do. I suspect, however, that no political philosophy that flatly rejects democracy can succeed in this day and age.

On a wider scale, this dissertation has hopefully made a contribution to the study of the role of economics in the realm of politics and of how economic theory may affect the way we reflect on both ethical and political questions. Economists often have a huge role in outlining political options in our societies. This is seen as unproblematic by some, but is deplored by many. On the one hand, there are those who deplore it because they are skeptical towards economists in general. But on the other hand, there are non-mainstream economists who deplore the hegemony of mainstream economics in political life (as well as in academia). The general public often have dim views about what the unorthodox views entail – perhaps they have heard a little about Marxists economics, and to many, unorthodox schools are often seen as connected to a political ideology (again, the example of Marxism-socialism is the most obvious). Now the Austrian School of economics has been highly connected to (classical) liberalism and even anarcho-capitalism, but – as I have attempted to show in this work – this connection is far from obvious when you look a little closer. Thus, eschewing Austrian economics out of hand because you do not agree with these ideologies may be akin to throwing out the baby with the bathwater. Instead, those who disagree with the *laissez-faire* liberalism or the anarchism of modern Austrians should turn away from their economic theorizing and turn to their ethical writings – in other words, they should regard them not as bad economists (although it may be admitted that their economic doctrine is often *irrelevant* to real-world problems), but as bad moral philosophers (or as good moral philosophers, if you do not agree with the criticism raised in the present study).

What can we conclude about the even wider question about the possibilities of value-freedom in the social sciences generally? Does the fact that I point to these problems mean that I also think social science should be purged from all assumptions that might have normative implications? The answer to that is negative. As the case of Austrian economics has shown, a

“purged” social science runs the risk of being “empty” and irrelevant when it comes to real world problems. It is, I think, better to use the models and simplifying assumptions one is used to, but at the same time to make absolutely clear that any policy recommendations derived from those models do not take account of a host of other dimensions that the model in question is not equipped to handle. One of the greatest sins while recommending any policy is to assume that the world is simpler than it really is, or that people are not the complex beings that we know they are. But a further lesson we can draw from this dissertation, is that if you really *do* go beyond simplifying assumptions and rely on a purely normative theory, then you should make an effort to make the normative case as watertight as you can. In the end, this is a question about “abuse” of scientific credentials – a question raised by Weston (1994: 11) in the following words: “How is it that a PhD earned by running regressions on wage patterns in some industry or by creating a highly abstract mathematical model qualifies one to know what is ethically best for society?” The answer is, of course, that such PhD training does not qualify one to know the ethical answers. So whether the problem is that normativity is implied by the models one is using (as in some forms of mainstream economics), or that it is relatively freestanding (as in Austrian economics), then we may have to agree with the following:

If economics is permeated with ethical values, then there is every reason to expect that economists must deal with ethical arguments. [...] Perhaps economists need more training in ethical philosophy than they now receive. The point of issuing a caution concerning economists’ professional credentials is not to prevent them from engaging in reasoned ethical arguments, but to undercut the authority of those who would abuse those credentials (Weston 1994: 12).

The same reasoning should, of course, apply to all social science, but in this study I have only dealt with economics as a case in point. It is well-known that, for instance, political science has been much influenced by economics, especially the rational choice approach draws heavily on the methodology of economics – and rational choice (if we are to believe Ward 2002) has become the dominant approach to political science, at least in the United States. Such “deductive” theories can, for instance be applied to analyses of democracy. Put simply, one might presume that “[j]ust as in economic theory firms act to maximize profits and consumers to maximize their own utility, so in the economic theory of democracy parties act to maximize votes and voters to maximize their own utility” (Lively 1990: 88f).²¹² Although

²¹² Another example of a question pertaining to political science is the discussion about “New Public Management”, that is an approach to bureaucracy that emphasizes more “efficiency” in the public sector. Although this theory comes in different versions, there is a common core of

rational choicers constantly try to refine their methodological assumptions to make them more realistic,²¹³ they should perhaps take more care to ponder what dimensions of human behavior that are deliberately left out of the models, and how that affects possible policy advice. And if they try to make a normative case that some things *should* be left out (that it is, e.g., not especially praiseworthy to be as altruistic as one can be) then they should make sure that this separate ethical argument is as watertight as it can be.

assumptions, mostly retrieved from Public choice-theory. Often it is, for instance, assumed that individual actors, such as politicians, employees, and citizens are rational, in the sense that they first and foremost look to their own (mostly pecuniary) advantage (Montin 2004: 112).

²¹³ But to make the assumptions too realistic would be counter-productive in another way, making hypotheses untestable and vacuously tautological (Ward 2002: 83).

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Svensk sammanfattning (summary in Swedish)

Anhängare av den österrikiska skolan inom nationalekonomi är i allmänhet mest kända för att vid sidan av sitt ekonomiska teoretiserande vara liberaler, libertarianer eller dylikt, och i den dagspolitiska debatten (främst i USA) framför de oftast ståndpunkten att staten bör minska sin verksamhet radikalt, inte stödja banker eller annan verksamhet i ekonomiska kriser o.s.v. Ibland görs det gällande att de libertarianska ståndpunkterna s.a.s. underlättas av den österrikiska ekonomiska teorin, liksom det ofta hävdas att den traditionella (neoklassiska) nationalekonomin underlättar vissa politiska ställningstaganden p.g.a. de modeller och antaganden man arbetar efter i egenskap av nationalekonomer. Denna avhandling ifrågasätter dock att österrikisk nationalekonomi skulle vara särskilt normativ i sina utgångspunkter och istället hävdas att denna inriktning kan betraktas som relativt "öppen", i det att den med lätthet torde kunna kombineras med många normativa hållningar – detta eftersom den österrikiska skolan har ambitionen att vara mera heltäckande (i betydelsen att man vill etablera absoluta sanningar om mänskligt beteende som gäller alltid och överallt) när det gäller att förklara mänsklig verksamhet än t.ex. neoklassisk nationalekonomi (m.a.o. görs t.ex. färre antaganden om vad som ska anses karakterisera "rationellt" beteende). Då detta är fallet måste dock den som vill uttala sig om den ideologiska hållningen hos österrikiska ekonomer undersöka de etiska teorier med vilka ekonomerna ifråga kombinerar sitt ekonomiska tänkande, istället för att snabbt "avfärda" österrikisk ekonomi i sig som en liberal doktrin (och omvänt kan österrikiska ekonomer/liberaler själva inte endast lita till spridandet av österrikisk nationalekonomi för att nå ut med sitt liberala budskap).

Denna avhandling innehåller dels en analys av ovanstående problematik, d.v.s. huruvida österrikisk ekonomi kan ses som normativt öppen eller ej, dels en undersökning av de explicit normativa argument som förts fram av några av den österrikiska skolans främsta företrädare, nämligen Ludwig von Mises, F. A. Hayek, Murray Rothbard och Hans-Hermann Hoppe. Mises' politiska filosofi försvarar en klassisk *laissez-faire*-liberalism på grundval av ett slags preferensutilitarism. De synpunkter som förs fram kring hans argumentation handlar dels om hur han försvarar önskningsarnas (preferensernas) primat framför t.ex. faktisk välfärd eller lycka, dels bristerna i hans resonemang kring kapitalismens fördelar framför halvsocialistiska statliga ingripanden i ekonomin ("interventionism"). Rothbard och Hoppe bygger i mycket sitt försvar för anarkism (eller anarkokapitalism) på resonemang som

hör hemma inom metaetiken, varför en stor del av analysen av dem kretsar kring just metaetik. Rothbard ser den kapitalistiska anarkismen som en "naturlig" ordning, eftersom endast denna typ av samhälle antas kunna försvaras rationellt givet vissa argumentativa regler, vilka av Rothbard ses som nödvändiga för en rationell etik. Hoppe går ett steg längre och argumenterar i sin diskursiva etik för att blotta deltagandet i ett argument kring etik logiskt förbinder deltagarna till vissa substantiella principer, i huvudsaken en icke-aggressionsprincip, från vilken den anarkistiska hållningen med nödvändighet antas följa. Avhandlingens kritik mot dessa ståndpunkter bygger dock på ett förkastande av de sanningsanspråk (den etiska kognitivism) som Rothbard och Hoppe företräder. Därav följer också en kritik av den antidemokratiska hållning som de företräder, då den bygger på förekomsten av ovan nämnda "objektivt" riktiga värden. Hayeks liberalkonservativa filosofi synas utifrån observationen att många tidigare analyser av honom inte tagit särskilt mycket hänsyn till hans normativa fundament, vilka här identifieras som antingen en teori om att maximera befolkningen i världen eller en teori om att maximera en slumpmässigt vald individs livsmöjligheter. Många brister i Hayeks argumentation kring dessa principer konstateras dock, liksom vissa motsägelsefulla element i hans demokratisyn.

Slutsatserna av avhandlingen är att österrikska skolans företrädare måhända bör lägga mindre vikt på att föra fram sin ekonomiska doktrin – i så måtto som de är mån om att föra fram ett liberalt/libertarianskt budskap snarare än ett smalt teoretiskt budskap för nationalekonomer – och lägga mer vikt på att utveckla argumentationen för de etiska principer de vill stödja sig på. Detta med tanke på att den ekonomiska teorin i sig inte ger särskilt mycket politisk-filosofisk vägledning, samt att de tänkare som undersökts knappast har lagt fram ett helgjutet försvar för någon etisk teori som kan ligga till grund för den politisk-filosofiska hållning de försvarar. En annan slutsats riktar sig dock till alla som sysslar med samhällsvetenskap, då resonemang kring vetenskapliga modellens normativitet är något som alla rimligtvis bör vara uppmärksamma på.

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