

The
Mises Seminar

Sydney, Australia

25th-26th November, 2011

aussienomics

Economics.org.au





Macquarie University
Libertarian League



Dear friend,

The Mises Seminar is named in honour of Ludwig von Mises, perhaps the most gifted economist and philosopher of the 20th century. Mises was a prolific author who spawned a global movement dedicated to carrying on his tradition. One of his students, F.A. Hayek, went on to receive the Nobel Prize in Economics. Another of his students, Murray Rothbard, extended Mises' ideas and founded what is now the modern libertarian movement. A living proponent of Mises' ideas is Congressman Ron Paul, who is currently running for the office of President of the United States. Henry Hazlitt wrote about Mises, "His outstanding quality was moral courage, the ability to stand alone, and an almost fanatical intellectual honesty and candor that refused to deviate or compromise an inch."

We aim to begin a Misesian intellectual revolution in Australia. Like the first modern Austrian School Conference held in South Royalton, Vermont in 1974, a collection of world-class speakers have agreed to gather in Sydney and explore the foundations of a free society. The freedom movement in Australia is dispersed and ineffective – government's growth has continued rapidly despite the efforts of our free-market think-tanks. This is precisely why it is important to reaffirm our principles with an added intellectual rigour.

In recent years, and especially during the Global Financial Crisis, governments around the world have taken measures aimed at staving off recession. They have carelessly spent trillions of dollars of taxpayer money bailing out enterprises that have failed and their central banks have attempted to 'stimulate' the economy. Manipulating the money supply and interest rates rejects all principles of a free market. Now is the perfect time to reach out to the public and explain the alternative provided by Austrian economics and libertarianism.

Greatly assisted by their epistemological insights, Austrians such as Peter Schiff and Ron Paul foresaw the housing bubble and collapse years before the crisis eventuated. In fact, many of the major financial events of the 20th century were known to Austrians beforehand. To solve our economic problems, it is time that we started paying attention to the people who have a coherent theory of how we got into this mess in the first place.

The ethical framework of libertarianism is not merely an intellectual exercise. As Rothbard writes in his article 'Why Be Libertarian', justice must be our driving motivation. Government tyranny is always and everywhere to be abhorred. If only this seminar's lessons were more widely known, perhaps we would live in a more peaceful and prosperous nation.

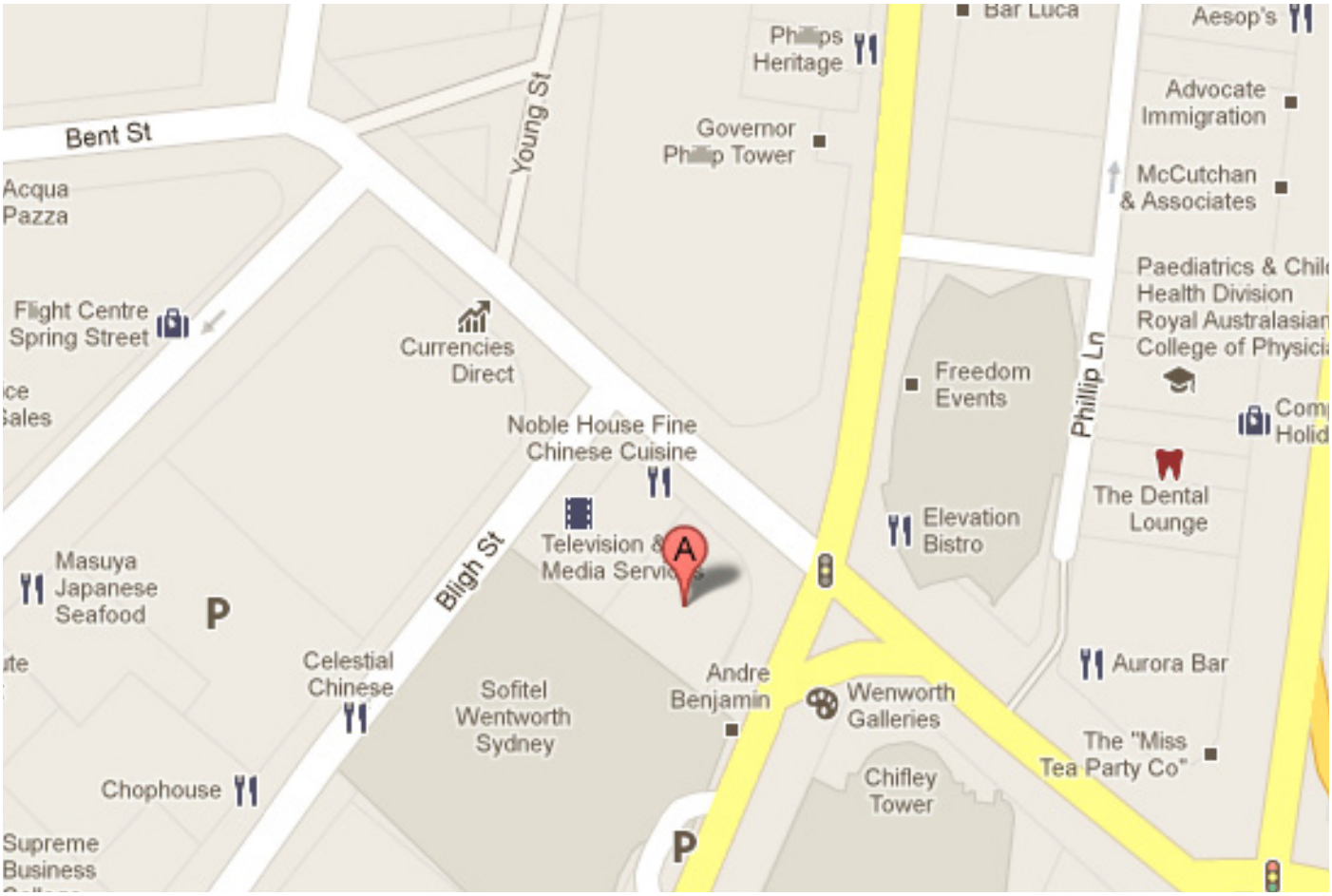
Thank you for choosing to attend the Mises Seminar. We hope that you take away something of value, and with luck, this will be the first in a series of many.

With warm regards,
The Organising committee.

Important Administrative Details

Venue location

The Mises Seminar venue is the Union, Universities and Schools Club (UUSC), located at 25 Bent Street, Sydney. The UUSC is two blocks from Circular Quay, two blocks from Centrepoint Tower, two blocks from the Royal Botanic Gardens, two blocks from NSW State Parliament and two blocks from the RBA Building at Martin Place.



Transport

It should be easy to get to the venue, either by bus, train (Circular Quay or Martin Place station) or ferry. The website www.131500.info is helpful when using public transport in Sydney. There is also http://www.sydney-buses.nsw.gov.au/

Dress Code

This is a prestigious and exclusive venue, and the clubs *compulsory* dress code reflects that. Ties and blazers for men, and the equivalent for women. No denim is allowed. The venue is air conditioned.

Nearby Accommodation

Next door is the Sydney Sofitel Wentworth Hotel. Other hotels within a two block radius include the Inter-Continental Sydney, the Sir Stamford Circular Quay, and the Sydney Harbour Marriot Hotel at Circular Quay. For student budgets, probably the closest suitable accommodation, especially if you share with a few other attendees, is the Sydney Harbour Hostel at The Rocks, which is an easy short 10 minute walk from the UUSC. Other hostels can be found through Hostels.com, Wotif.com, HostelBookers.com and HostelWorld.com.

Pre-Seminar Reading

The readings help provide a basic foundation and understanding of the core principles used to analyse the more complex issues that will be under discussion at the seminar. They will help you follow the overall themes and make informed contributions should you choose to do so. As a result, everyone gets more from attending the seminar.

The overview section first contains an article entitled *A Primer on Austrian Economics* by Jonathan M. Finegold Catalan which gives a brief summary of the school of thought, its history and contributions. The fundamental difference between advocates of the Austrian school and the rest of the economics profession is methodology. The second chapter of Hans-Hermann Hoppe's book *Economic Science and the Austrian Method*, is *On Praxeology and the Praxeological Foundation of Epistemology.* This enthralling exposition highlights Mises insights and makes the case for praxeology as the ultimate foundation of all knowledge. *Anatomy of the State* by Murray N. Rothbard exemplifies the case as to what the state is, what it is not and why its existence should be lamented. *What Libertarianism Is* by Stephan Kinsella clarifies what separates libertarianism from other political philosophies.

Support for Mises Seminar

The organisation for this seminar consists of a group of individuals associated with several organisations and websites. They have donated a considerable amount of their time.

Members of the Organising committee include:

Benjamin Marks	(Economics.org.au)
Dr Bulukani Mlalazi	
Michael Conaghan	(Liberty Australia)
Samuel Marks	(MULL)
Sukrit Sabhlok	(Liberty Australia)
Dr Washington Sanchez	(Aussienomics)

Special thanks to all our speakers for sponsoring this event, especially Neville Kennard for sponsoring Professor Hoppe's visit and Ron Manners of Mannkal Economic Education Foundation for flying over the future of Westralia.

Other

- Food and drinks are part of the package and will be supplied. If you have special dietary requirements please contact us.
- Please bring along a print out of the email you received after purchasing the Dinner or Seminar ticket. This is to confirm your registration. You will then be given a name tag as a means of facilitating identification.
- If you have any problems or queries, please contact Benjamin Marks - 0428 547 773.



Profile of Speakers



Hans-Hermann Hoppe is Professor Emeritus of Economics at the University of Nevada, Las Vegas. A world-renowed Austrian School economist and anarchocapitalist philosopher, he is also a distinguished fellow with the Ludwig von Mises Institute and founder of The Property and Freedom Society.



Ben O'Neill is a Lecturer in Statistics at the University of New South Wales (ADFA campus) and an Adjunct Scholar at the Ludwig von Mises Institute (USA). He was the winner of the Templeton Fellowship Essay Contest for 2009 at The Independent Institute (USA). He has published work in statistics, economics and political philosophy. He has formerly practiced as a solicitor and as a political advisor.



Mark Tier is an Australian writer and businessman who lives in Hong Kong "partly because paying taxes is against my religion." A graduate in economics from the Australian National University, he began a PhD program in economics at UCLA. Founder of the investment newsletter World Money Analyst, which he published and edited until 1991, he is also the author of Understanding Inflation, which became a bestseller in Australia in 1974, and The Nature of Market Cycles.



Steven Kates is a Senior Lecturer in Economics at RMIT University. He has previously spoken at the Austrian Scholars Conference and is a specialist in the history of economic thought, with particular emphasis on John Maynard Keynes and Says Law. A recent book of his is titled Free Market Economics: An Introduction for the General Reader.



Andrew Dahdal is a lecturer in the Faculty of Business and Economics at Macquarie University. He is presenting a paper on the constitutionality of paper money under the Australian Constitution, arguing that the founders envisioned only private issuance of money and did not wish for governments to get involved.



Chris Leithner received First Class Honours at McGill University. He holds Masters degrees from Queens University and The Australian National University, and completed his PhD at the University of Strathclyde (Glasgow, Scotland). Chris is a Director of a private investment company. His most recent book is The Evil Princes of Martin Place: The Reserve Bank of Australia, the Global Financial Crisis and the Threat to Australians' Liberty and Prosperity.



Viv Forbes is Chairman of The Carbon Sense Coalition. He is Australia's most productive libertarian, for each of the last 36 years, since he started the Workers Party in Queensland. He is a grandfather, sheep and cattle grazier, soil scientist and mining consultant.



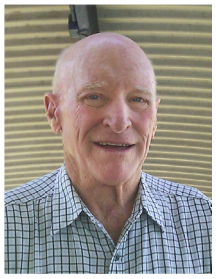
Ron Manners is an Australian businessman with over 50 years experience in the mining industry and is founder and Executive Director of the Mannkal Economic Education Foundation, an Australian free-market think tank.



David Hart is the Director of Liberty Fund's Online Library of Liberty Project. He has a Ph.D. in history from King's College, Cambridge and taught for 15 years in the Department of History at the University of Adelaide before joining Liberty Fund.



Sarah Correa served in the Army Reserve prior to moving to Afghanistan, pursuing a career in international relief development. Initially she worked as a Program Manager for an American NGO and later as a Safety and Security Advisor to the aid and reconstruction community in Central Region of Afghanistan.



Neville Kennard is a veteran Australian preaching and practising capitalist. Kennard has had success in the real world. In fact, his name is more recognisable and respected in Australia than words like "free-market", "libertarian" and "classical liberal". Maybe one day Kennard's self-ownership will become half as popular as Kennards Self Storage. Kennard was the first chairman and the first donor of The Centre for Independent Studies (CIS). He is also a CIS distinguished fellow. Kennard has been endorsed by the Godfather/Ron Paul of Australian classical liberalism, Bert Kelly, as "splendid ... speaks my language ... brave."

Mises Seminar Programme

25-26th November, 2011

Lecture blocks include 5-10 minutes for questions.

Friday, 25 November
Registration begins at 6:30 p.m.

7 - 7:05 p.m.	**WELCOMING REMARKS** Washington Sanchez "The Mises Seminar and its Goals"
7:05 - 7:55 p.m.	**KEYNOTE ADDRESS** Hans-Hermann Hoppe "The State - The Errors of Classical Liberalism"
7:55 - 8:10 p.m.	**BREAK**
8:10 - 8:55 p.m.	Hans-Hermann Hoppe "Society without State: Private Law Society"
8:55 - 9:10 p.m.	**OPEN FORUM**
9:10 - 10 p.m.	**PANEL: AUSTRALIAN LIBERTARIAN POLITICS** *Moderator:* Benjamin Marks David Hart, Mark Tier, Nev Kennard, Viv Forbes & Ron Manners "On the Worker's Party"

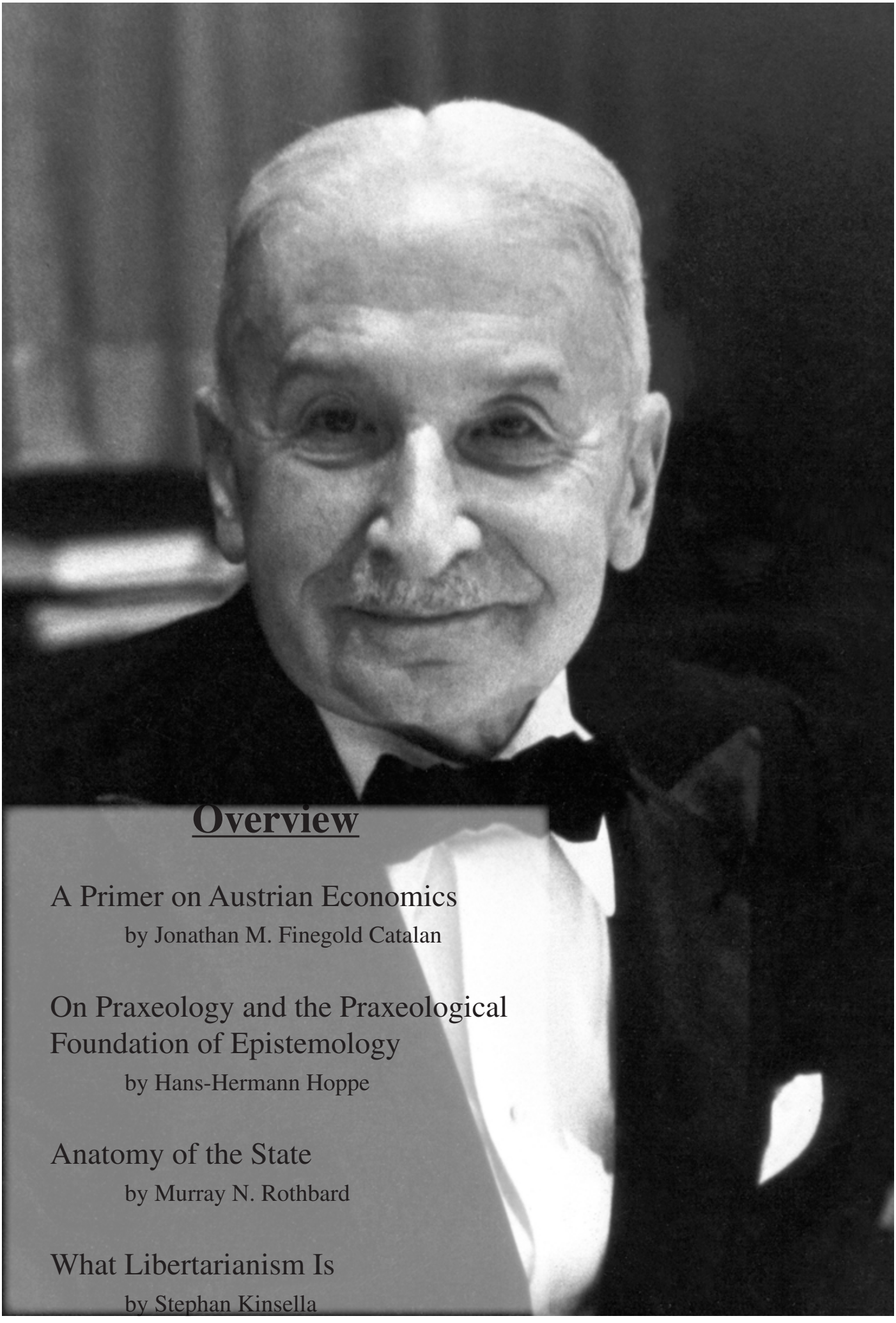


Saturday, 26 November
Registration begins at 8:30 a.m.

9 - 9:40 a.m.	Mark Tier "Smoker's Rights are Human Rights are Property Rights: How to persecute an unpopular minority to subvert the rule of law, increase the power of the state, and replace the impartial arbiter of human rights with the whims of politicians and bureaucrats"
9:40 - 10:25 a.m.	Steven Kates "The English Classical Tradition and Austrian Economics: Where they are the Same and Where they Differ"
10:25 - 10:40 a.m.	**BREAK**

10:40 - 11:30 a.m.	Hans-Hermann Hoppe “Politics, Money, and Banking”
11:30 - 11:45 a.m.	**OPEN FORUM**
11:45 - 12:30 p.m.	Andrew Dahdal “Is Fiat Paper Money Unconstitutional?”
12:30 - 1:15 p.m.	**LUNCHEON**
1:15 - 2 p.m.	**LUNCHEON ADDRESS** Chris Leithner “The Evil Princes of Martin Place: The Panic of 2008 and Why We Should End the RBA”
2 - 2:45 p.m.	Ben O’Neill “Natural Law and the Liberal (Libertarian) Society”
2:45 - 3:15 p.m.	Viv Forbes “Many Battles - The Same War”
3:15 - 3:30 p.m.	**BREAK**
3:30 - 4 p.m.	Ron Manners “Heroic Misadventures”
4 - 4: 30 p.m.	David Hart “How Austrian were the French: An Austro-Australian Perspective”
4:30 - 5 p.m.	Sarah Correa “The War in Afghanistan”
5 - 5:30 p.m.	**CLOSING ADDRESS** Neville Kennard “My Journey to Anarchy”
5:30 - 6:30 p.m.	**RECEPTION**





Overview

A Primer on Austrian Economics
by Jonathan M. Finegold Catalan

On Praxeology and the Praxeological Foundation of Epistemology
by Hans-Hermann Hoppe

Anatomy of the State
by Murray N. Rothbard

What Libertarianism Is
by Stephan Kinsella

Everything that we say about action is independent of the motives that cause it and of the goals toward which it strives in the individual case. It makes no difference whether action springs from altruistic or from egoistic motives, from a noble or from a base disposition; whether it is directed toward the attainment of materialistic or idealistic ends; whether it arises from exhaustive and painstaking deliberation or follows fleeting impulses and passions.
— Epistemological Problems of Economics, p. 34.

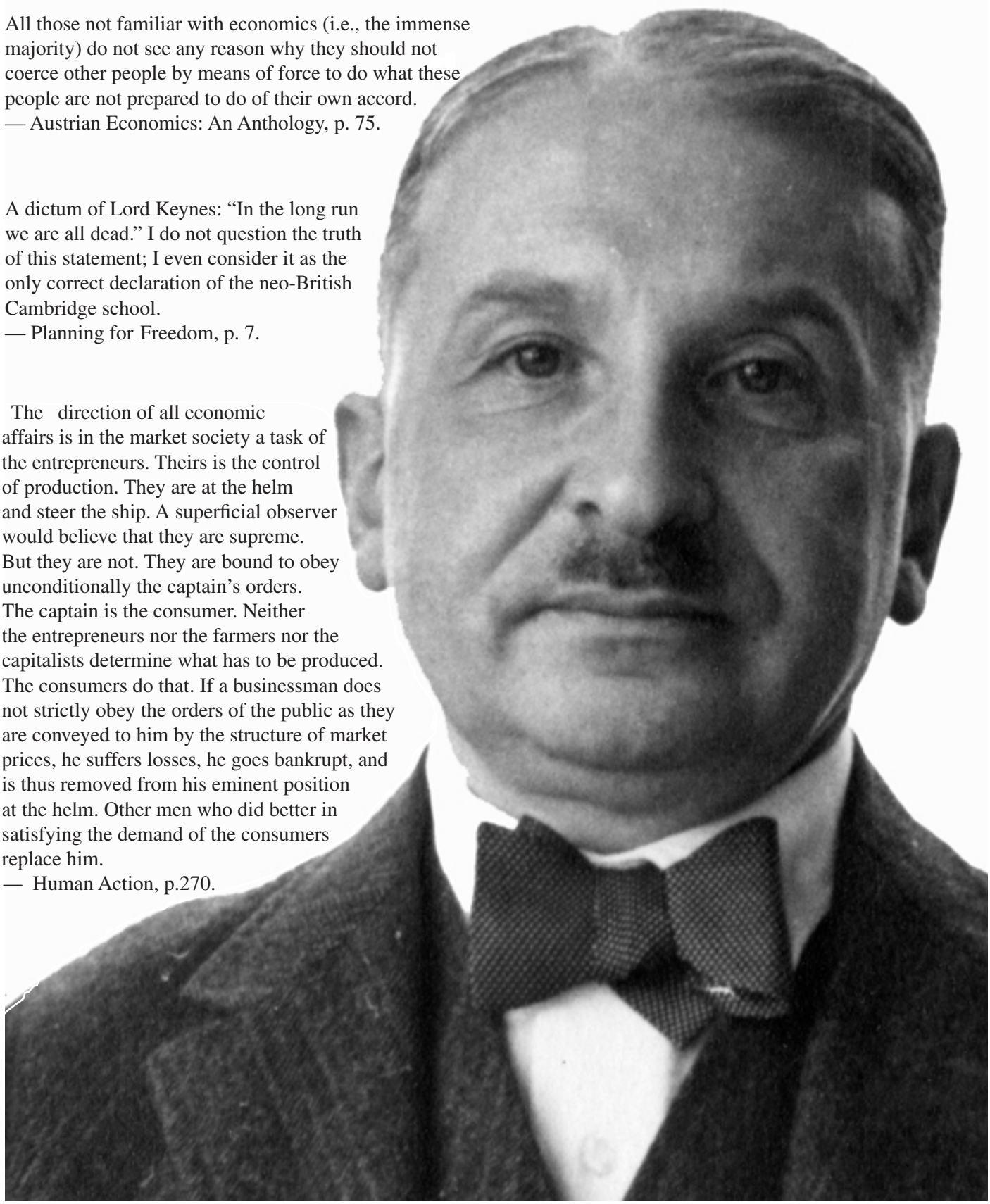
The social function of economic science consists precisely in developing sound economic theories and in exploding the fallacies of vicious reasoning. In the pursuit of this task the economist incurs the deadly enmity of all mountebanks and charlatans whose shortcuts to an earthly paradise he debunks.
— Economic Freedom and Interventionism, pp. 51–52.

Ludwig von Mises

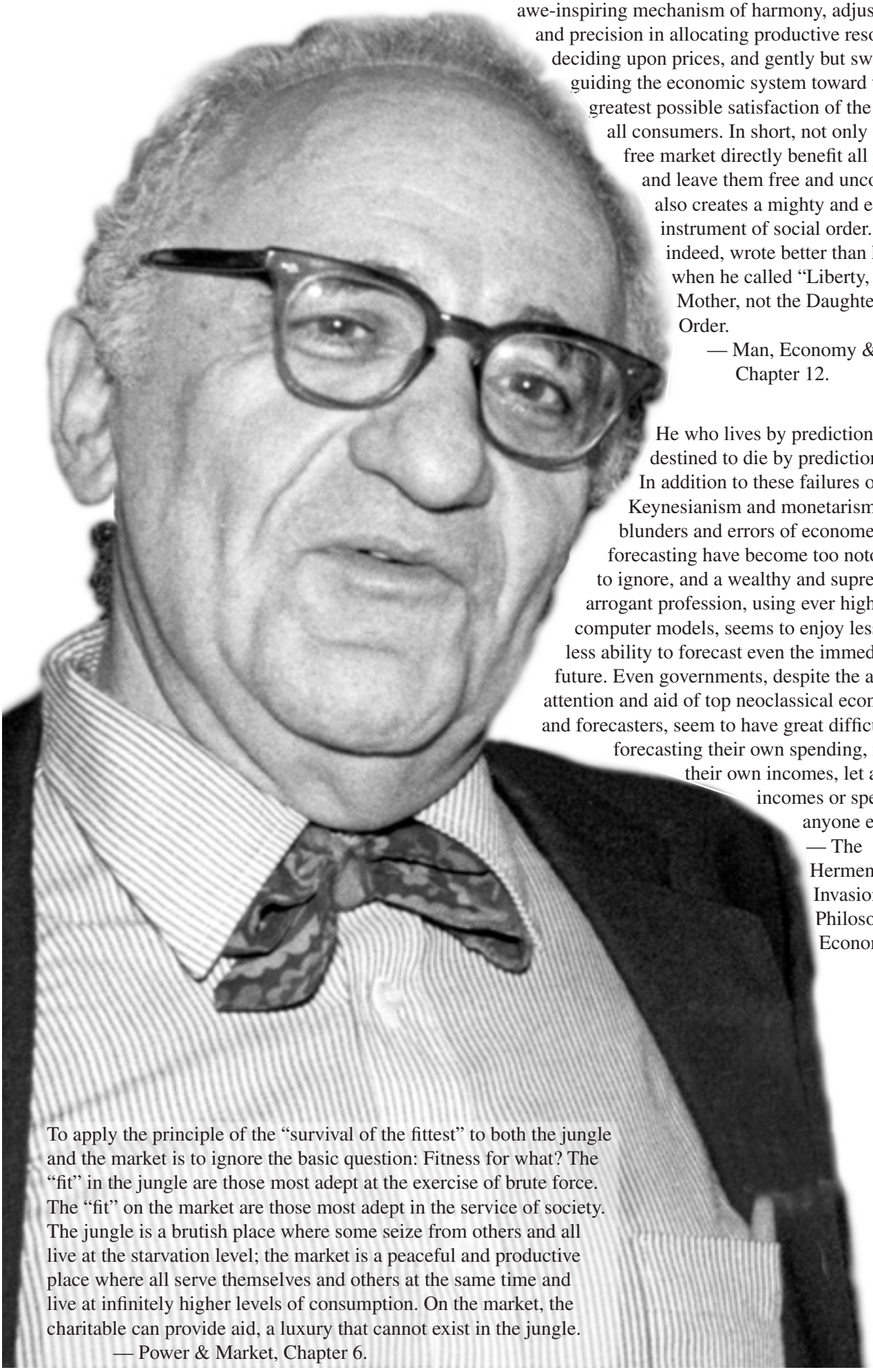
All those not familiar with economics (i.e., the immense majority) do not see any reason why they should not coerce other people by means of force to do what these people are not prepared to do of their own accord.
— Austrian Economics: An Anthology, p. 75.

A dictum of Lord Keynes: "In the long run we are all dead." I do not question the truth of this statement; I even consider it as the only correct declaration of the neo-British Cambridge school.
— Planning for Freedom, p. 7.

The direction of all economic affairs is in the market society a task of the entrepreneurs. Theirs is the control of production. They are at the helm and steer the ship. A superficial observer would believe that they are supreme. But they are not. They are bound to obey unconditionally the captain's orders. The captain is the consumer. Neither the entrepreneurs nor the farmers nor the capitalists determine what has to be produced. The consumers do that. If a businessman does not strictly obey the orders of the public as they are conveyed to him by the structure of market prices, he suffers losses, he goes bankrupt, and is thus removed from his eminent position at the helm. Other men who did better in satisfying the demand of the consumers replace him.
— Human Action, p.270.



Murray N. Rothbard



The network of these free exchanges in society - known as the "free market" - creates a delicate and even awe-inspiring mechanism of harmony, adjustment, and precision in allocating productive resources, deciding upon prices, and gently but swiftly guiding the economic system toward the greatest possible satisfaction of the desires of all consumers. In short, not only does the free market directly benefit all parties and leave them free and uncoerced; it also creates a mighty and efficient instrument of social order. Proudhon, indeed, wrote better than he knew when he called "Liberty, the Mother, not the Daughter, of Order.

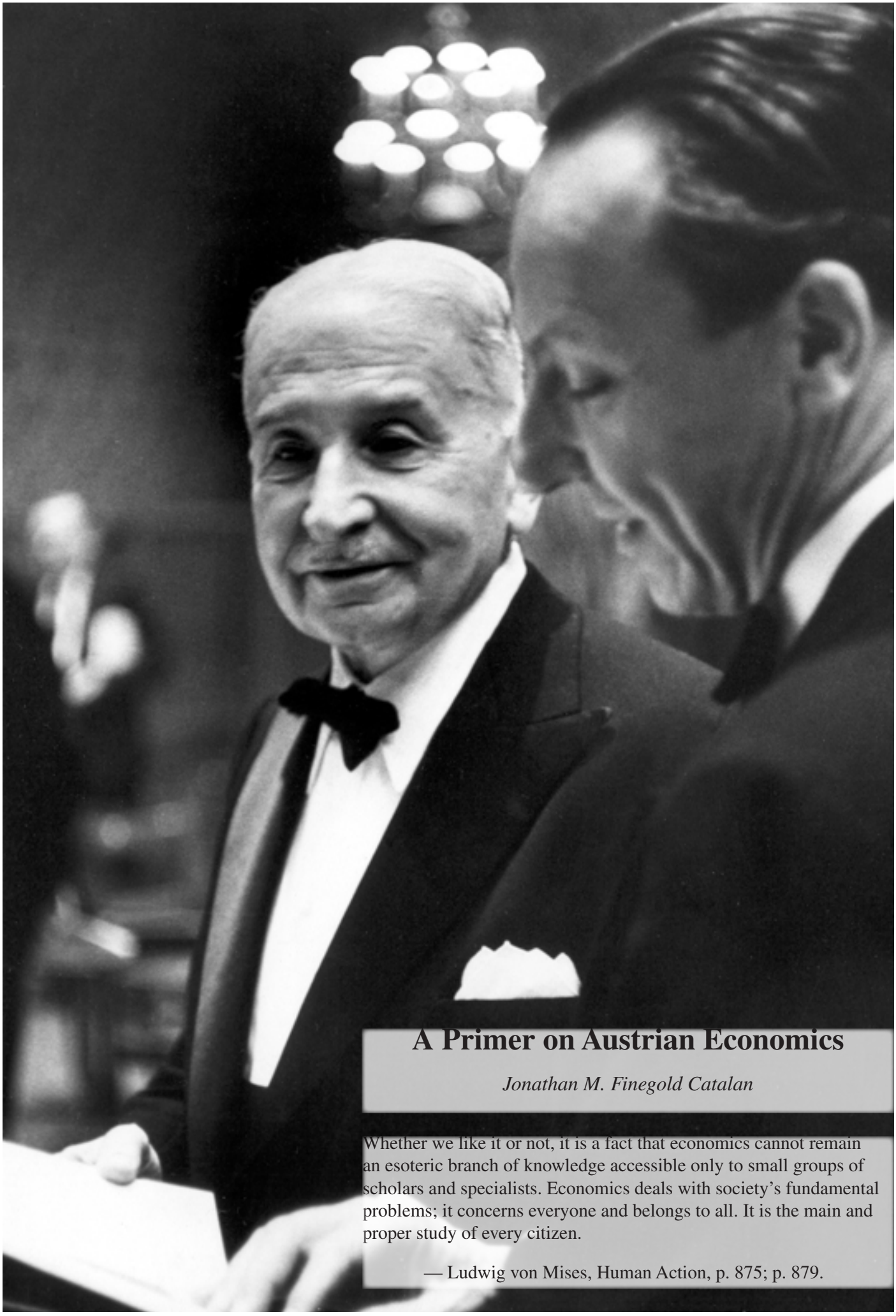
— Man, Economy & State, Chapter 12.

He who lives by prediction is destined to die by prediction. In addition to these failures of Keynesianism and monetarism, the blunders and errors of econometric forecasting have become too notorious to ignore, and a wealthy and supremely arrogant profession, using ever higher-speed computer models, seems to enjoy less and less ability to forecast even the immediate future. Even governments, despite the assiduous attention and aid of top neoclassical economists and forecasters, seem to have great difficulties in forecasting their own spending, much less their own incomes, let alone the incomes or spending of anyone else.

— The Hermeneutical Invasion of Philosophy and Economics.

To apply the principle of the "survival of the fittest" to both the jungle and the market is to ignore the basic question: Fitness for what? The "fit" in the jungle are those most adept at the exercise of brute force. The "fit" on the market are those most adept in the service of society. The jungle is a brutish place where some seize from others and all live at the starvation level; the market is a peaceful and productive place where all serve themselves and others at the same time and live at infinitely higher levels of consumption. On the market, the charitable can provide aid, a luxury that cannot exist in the jungle.

— Power & Market, Chapter 6.



A Primer on Austrian Economics

Jonathan M. Finegold Catalan

Whether we like it or not, it is a fact that economics cannot remain an esoteric branch of knowledge accessible only to small groups of scholars and specialists. Economics deals with society's fundamental problems; it concerns everyone and belongs to all. It is the main and proper study of every citizen.

— Ludwig von Mises, Human Action, p. 875; p. 879.

The jurisdiction of economics extends far beyond the study of production and consumption of goods and services. The science of economics consists of the study of human action, interaction, and cooperation. Even if you accept the mainstream division of micro- and macroeconomics, at the most basic levels economics deals with how market agents make decisions and how these decisions affect interactions between individuals. Even the broadest of market trends, usually condemned to the realm of "macroeconomics," boils down to interactions between individual market agents.[1]

How individuals interact in tandem, forming the economic system as studied in modern macroeconomics, is simply fascinating. Even the most complex economies, such as today's global market, are made up of individual human actors, each seemingly unaware of the others' intentions and goals. Economics is the science that studies these individual agents of the market and how they coordinate through the price mechanism to create, not just what the mainstream considers "the market," but society as a whole, all without the necessity of a central planner or authority. The fact that human civilization is the product of billions of individuals, each acting to accomplish certain self-serving ends, is truly mind blowing.

What economists call "political economy," or modern economics, did not come into being until the mid-18th century.[2] Since then the study of economics has not been one of linear progress; neither has it been free of controversy. Even before the birth of political economy, the study of economics was done by competing schools of thought; for example, the French mercantilists and the French liberals.[3] Following the Smithian movement and despite the development of Marxism in the mid-19th century, economics was largely unified by

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1 Viewing economics as the study of human action might seem distinctively Austrian, and certainly the change in methodology from one that focused on the "'economic' aspects of human action" to one that recognized all human action as the realm of economics coincides with the beginning of the marginal revolution and the Austrian School (Ludwig von Mises, Human Action. Auburn, Alabama: Ludwig von Mises Institute, 1998: pp. 2–3). While there are significant methodological differences between the Austrian School and other major schools of economics, it nevertheless stands that all economists must recognize that markets are no more than natural constructs of cooperating individuals.

2 Adam Smith has traditionally been considered the father of modern economic science. Murray Rothbard believed otherwise and bestowed this honor on Richard Cantillon, writing that "[m]ost people, economists and laymen alike, think that economics sprang fullblown, so to speak, from the head of Adam Smith…. [t]he honour of being called the 'father of modern economics' belongs, then, not to its usual recipient, Adam Smith, but to a gallicized Irish merchant, banker, and adventurer who wrote the first treatise on economics more than four decades before the publication of Wealth of Nations" (Murray N. Rothbard, An Austrian Perspective on the History of Economic Thought, Volume I: Economic Thought Before Adam Smith. Auburn, Alabama: Ludwig von Mises Institute, 1995: p. 345).

Unfortunately, most of Richard Cantillon's insights were lost after the publication of Wealth of Nations. Cantillon was "rediscovered" in the late-19th century by William Stanley Jevons, one of the three "founders" of the marginal revolution. About Cantillon's treatise Essai, Jevons writes, "Cantillon's essay is, more emphatically than any other single work, 'the Cradle of Political Economy'" ("Richard Cantillon and the Nationality of Political Economy" [January 1881]: p. 342).Download PDF Friedrich Hayek, basing his history of Cantillon on Jevon's work, also held this view (See The Trend of Economic Thinking. Indianapolis, Indiana: Liberty Fund, 1991: p. 246).

3 One of the best treatises on pre-Smithian economics remains Murray Rothbard's An Austrian Perspective on the History of Economic Thought (1995). Joseph Schumpeter also treats a wide variety of historiographical subjects in History of Economic Analysis, where he includes a criticism of Adam Smith and suggests (like Rothbard) that Smith and his students (David Ricardo, et. al) set economic science on the wrong direction until the advent of the marginal revolution (I. M. D. Little, "History of Economic Analysis." The Economic History Review 8, no. 1 [1995]: pp. 95–96). Between Rothbard's and Schumpeter's treatises, the latter is probably the most well-known amongst mainstream academia. Nobel laureate George J. Stigler, himself interested in the history of economic thought, wrote, "[Schumpeter's] comments are, as ever, supremely sophisticated and, as usual, full of shrewd insight" ("Schumpeter's History of Economic Analysis." The Journal of Political Economy 62, no. 4 [August 1954]: p. 345).

the marginal revolution.[4] However, the marginal revolution was followed by the birth of several distinct schools of economic thought. Some of the most well-known include the Neoclassical, Austrian, and Keynesian Schools, which interestingly all enjoy the same foundations in the marginal revolution.[5]

Of the three above-mentioned major intellectual movements, the Austrian School is probably the smallest and least known. Despite this, it has become one of the fastest growing schools of thought in the past decade. And its ranks have swollen since the financial crisis of 2007.[6] This growth is impressive enough as to prompt responses to the Austrian School from intellectual opponents who are usually ambivalent.[7] All of this should be evidence enough that the Austrian School merits a closer look.

There are some basic questions that most "beginners" ask when first delving into Austrian theory. What is Austrian economics? Who are these Austrian economists? Why is Austrian economics relevant in today's world? These are all questions worthy of a response, and this is what the present essay sets out to do. The present essay also serves as a bibliography of sorts, as one can further investigate into the topics proposed by following the sources suggested.

What is Austrian Economics?

The Austrian School of thought has offered economic science a wide variety of unique insights. It is unrealistic to provide a detailed account of all Austrian theory within the limits of an introduction. Nevertheless, there are some key theories that the Austrians have become known for, providing a solid foundation for further investigation into Austrian economics.

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4 I.M.D. Little writes on Schumpeter's History of Economic Analysis that "[h]is main thesis is that there was a fundamental unity in the period's theory, at least in the later years. Jevons, Menger, Walras, and Marshall taught essentially the same doctrine" (Little [1995], p. 97).

5 John Maynard Keynes's economics marched in an almost complete opposite direction to that of the neoclassicists and Austrians. While the two latter schools of thought generally agreed on the basic premises of economics as laid out by the classical economists, Keynes almost completely deviated away from these premises (Ralph Raico, "Was Keynes a Liberal?"). Nevertheless, Keynes's beliefs were greatly influenced by the marginal revolution, and especially by Knut Wicksell. Keynes's beliefs regarding subjectivity and the propensity to consume, marginal efficiency of capital, and his pure theory of interest, were all built on the foundations provided by the marginal economists (The General Theory of Employment, Interest and Money. BN Publishing, 2008).

6 Austrian economics has become popular beyond the political boundaries of the United States. There are Mises Institutes in Brazil and Sweden, for example, while Austrian seminars have been held in countries such as Spain, where liberalism has historically been drowned out by syndicalist and socialist thought. For a view on the growth of the Austrian School, see Llewellyn H. Rockwell Jr., "More Powerful Than Armies."

7 The Austrian School was not unknown during the 1920s and 1930s. John Keynes openly criticized Austrian theory in The General Theory. For example, he directly refers to Friedrich Hayek's and Lionel Robbin's criticism of his own theories put forth in his Treatise on Money. He also criticizes Hayek's business-cycle theory, by disputing the validity of Hayek's claim that a rise in the supply of credit will lead to discoordination in the market (Keynes 2008, pp. 79–85). Another notable criticism of Austrian theory was Piero Sraffa's critique "Dr. Hayek on Money and Capital," published in The Economic Journal. Sraffa was an "uncomprehending and rabid [disciple]" of Keynes, and his critique of Hayek's Prices and Production stems largely from the fact that at this time Keynes was chief editor of The Economic Journal (from Joseph Salerno's introduction to F.A. Hayek's Prices & Production and Other Works. Auburn, Alabama: Ludwig von Mises Institute, 2008: p. viii).

Following the 1930s and early 1940s criticism and acknowledgment of the Austrian School became far more sparse. Only more recently has there been a revival in opponent's interest in Austrian economics. This is probably because the Austrian "revival" threatens their own beliefs and the supremacy of their beliefs in modern academia and political policy. Some recent criticism includes that of Paul Krugman and Bradford DeLong.

The unique keystone to Austrian theory is the concept of *praxeology*. Praxeology is the science of human action, under which the broader subject of political economy is categorized.[8] The employed methodology of praxeology is known as *a priorism*,[9] which is based on the ideas

a. that the fundamental axioms and premises of economics are absolutely true;

b. that the theorems and conclusions deduced by the laws of logic from these postulates are therefore absolutely true.[10]

Praxeology recognizes the fundamental axiom that is human action.[11] Human action is purposeful and aims at completing ends through deliberately chosen means. Human action differentiates itself from instinctual reaction, such as a human's reaction to biological stimuli, in the sense that the latter is subconscious while human action is entirely conscious.[12] Apart from the axiom of human action there are also several subsidiary axioms, including the facts that man values leisure over work and individuals vary — no one individual is the same as another.[13]

From the axiom of human action, praxeology seeks to develop theory through logical deduction. Modeled, the axiom of human action is represented by A; if A implies B, and A is accepted as true, then B must also be true. That B must be true if implied by A is *independent of experience* (or *a priori*), proven through logic.[14] As such, Mises denies the usefulness of historical experience in the study of economics, given that through praxeology any theories developed would be apodictic. It follows that praxeology makes empirical validation or

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8 Mises wrote, "Out of the political economy of the classical school emerges the general theory of human action, praxeology. The economic or catallactic problems are embedded in a more general science, and can no longer be severed from this connection. No treatment of economic problems proper can avoid starting from acts of choice; economics becomes a part, although the hitherto best elaborated part, of a more universal science, praxeology" (Mises 1998, p. 3).

9 Sometimes Austrian methodology is referred to as praxeology. For example, as Rothbard wrote, "Praxeology is the distinctive methodology of the Austrian school" ("Praxeology: The Methodology of Austrian Economics."Download PDF Originally in The Logic of Action One: Method, Money, and the Austrian School, Cheltenham, United Kingdom: 1997, p. 58). But, most accurately praxeology is the science, not simply the methodology.

10 Rothbard, Murray N., "In Defense of Extreme Apriorism." Southern Economic Journal (January 1957): p. 314.]

11 Mises believed the axiom of human action to be true a priori, or independent of experience. "The human mind," he wrote, "is not a tabula rasa on which the external events write their own history. It is equipped with a set of tools for grasping reality. Man acquired these tools, i.e., the logical structure of his mind, in the course of his evolution from an amoeba to his present state. But these tools are logically prior to any experience" (Mises 1998, p. 35). The belief that the axiom of human action is a priori is not universally shared amongst all Austrians. Rothbard, for example, believed the axiom of human action was found empirically. "My view is that the fundamental axiom and subsidiary axioms are derived from the experience of reality and are therefore in the broadest sense empirical" (Rothbard 1997, p. 64).

12 Mises 1998, pp. 11–13. This is the implication Mises makes when he writes that "[m]en cooperate. That means that, in their activities, they anticipate that activities on the part of other people will accomplish certain things in order to bring about the results they are aiming at with their own work" ("Human Cooperation" in Ludwig von Mises on Money and Inflation).

13 Rothbard 1997, p. 59. These subaxioms are not a priori, as Rothbard wrote, "[i]t should be noted that for Mises it is only the fundamental axiom of action that is a priori; he conceded that the subsidiary axioms of the diversity of mankind and nature, and of leisure as a consumers' good, are broadly empirical" (Rothbard 1997, p. 67).

14 Rothbard 1997, pp. 58–60. Also relevant are the four first chapters of Human Action. Also see Israel M. Kirzner, The Economic Point of View (Indianapolis, Indiana: Liberty Fund, 1960): pp.151–89.

falsification not only superfluous but, as Mises holds, almost useless.[15]

Praxeology and a priori reasoning lead to the important concept of time preference. This is the notion that, *ceteris paribus*, individuals prefer present satisfaction to future satisfaction, under the condition that the utility of future satisfaction is the same or less, ordinally speaking.[16] As such, humans choose certain time-consuming actions because they expect the end to have greater utility than any other end closer in time.[17] In the broader sense, the idea of time preference becomes clearer once it is understood that capital accumulation, or savings, comes about as a result of changes in time preference. Individuals save as a means of garnering greater satisfaction at some point in the future.

While praxeology could be the subject of an entire book — and a complete understanding of praxeological science as developed to date would certainly be useful — for the purposes of a primer only the basic idea of what praxeology consists of is necessary. Praxeology is the science of rational human action, and its *a priori* methodology makes Austrian theory valid independent of experience. It follows that the following major Austrian insights are products of reason and not empiricism.

Non-neutrality of Money

One of the most important Austrian positions is the belief in the non-neutrality of money. The mainstream believes in the long-run neutrality, or *superneutrality*, of money. This belief maintains that changes in the money supply only cause proportional and permanent changes to prices, while leaving the "real economy" — investment, production, and employment — unchanged.[18] While money may change the underlying economy in the short-run, it is believed that nevertheless these will adjust proportionally to changes

15 According to Rothbard, "Mises indeed held not only that economic theory does not need to be "tested" by historical fact but also that it cannot be so tested." (Rothbard 1997, p. 72). It is common for Austrians to apply theory to history, but this is a form of illustration or elucidation, and not a method by which to deduce more theory (Selgin, George A., Praxeology and Understanding: An Analysis of the Controversy in Austrian Economics. Auburn, Alabama: Ludwig von Mises Institute, 1990: p. 25). Noteworthy is that Mises's view on empiricism is not universally accepted by all Austrian scholars. Friedrich Hayek, for example, believed that empiricism was a useful tool to falsify theory, even if empiricism could not validate theory (Hayek 2008, pp. 9–17). Nevertheless, Hayek agreed with Mises's a priori approach to logical deduction: "Even as a means of verification, the statistical examination of the cycles has only a very limited value for trade cycle theory … First, it must be deduced with unexceptionable logic from the fundamental notions of the theoretical system; and second, it must explain by purely deductive method those phenomena with all their peculiarities that we observe in actual cycles" (Hayek 2008, p. 12). For a general overview of differences in exact praxeologic methodology see Selgin 1990, pp. 27–37.

16 Ordinal versus cardinal utility is an important concept in Austrian economics, and refers to nothing more than the belief that utility cannot be objectively measured (cardinal utility) and that nothing has measurable intrinsic value. The utility of something can only be measured relative to the utility of another thing (ordinal utility). Mises explains that "[m]arginal utility provides no unit of value. The worth of two units of a given commodity is not twice as great as one — although it is necessarily greater or smaller than one. Judgments of value do not measure: they arrange, they grade" (Socialism: An Economic and Sociological Analysis. New Haven, Connecticut: Yale University Press, 1951: p. 114). For an in-depth discussion on ordinal utility versus cardinal utility, see Murray N. Rothbard, "Towards a Reconstruction of Utility and Welfare Economics."

17 Jesús Huerta de Soto explains that "actors undertake time-consuming actions because they expect to thus achieve more valuable ends; according to the latter, other things being equal, actors always prefer the goods closer to them in time" (Money, Bank Credit and Economic Cycles. Auburn, Alabama: Ludwig von Mises Institute, 2009: pp. 270–72).

18 Thorsten Polleit, "The Fallacy of the (Super)Neutrality of Money." Polleit provides an important caveat: "The neutrality-of-money hypothesis does not rule out that changes in the money growth rate may have permanent effects on the level of economic activity. In fact, a rise in the growth rate of the money stock (from, say, 4% a year to 5% a year) may be thought of as having the potential of pushing production to a permanently higher level of output."

in the money supply over the medium term or long run.[19] It is exactly this belief in the superneutrality of money that led to the development of the mechanistic quantity theory of money, or MV=PT.[20]

Austrians expressly reject the notion of the superneutrality of money. The Austrian rejection bases itself on the idea that the purchasing power of money is decided only upon the moment of an exchange. In other words, the price of a good relative to a medium of exchange is decided during individual exchanges, depending on the amount of money following that particular good during that particular period of time. Therefore, a change in the supply of money will not affect all prices proportionally; rather it influences only certain prices, depending on what the new money is spent on.[21]

Austrian Business-Cycle Theory

Believing in the non-neutrality of money is an important step towards understanding the Austrian business-cycle theory. The Austrian theory of the trade cycle is perhaps their most well-known contribution to economics, at least for the mainstream. This is especially true when considering that the principal reason for the rise in popularity of Austrian economics after the recession of 2007 was their explanation of the causes of the recession — and their predictions of the recession prior to the crash.

Important to understanding the underlying premises behind the theory of the trade cycle is the recognition of the relationship between the supply of money and the rate of interest. This relationship is explicitly rejected by John Maynard Keynes. Keynes suggests that the main contributing factor behind the rate of interest is society's so-called liquidity preference, or the preference of the consumer to hold money in liquid form or surrender it to an investor by saving it in nonliquid forms (such as a time deposit).[22]

Unlike Keynes, Mises recognized the demand for money as time neutral. Keynes conflated the concepts of money and capital, not realizing that to hold money (or to hold a medium of exchange) did not translate into a reduction in the supply of capital on the market. As opposed to Keynes, Mises believed that a decrease in the supply of money-chasing loanable capital would simply manifest itself in the structure of production as a change in the prices of

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19 Ibid.

20 Huerta de Soto writes that "[s]upposing the 'velocity of circulation' of money remains relatively constant over time, and the gross national product approximates that of 'full employment,' monetarists believe money is neutral in the long run, and that therefore an expansion of the money supply (M) tends to proportionally raise the corresponding general price level" (2009: pp. 522–35).

21 There are a number of refutations of the mechanical-quantity theory of money, including: Mises 1998, pp. 395–98; Polleit 2009; Huerta de Soto 2009, pp. 522–35; Hayek 2008, pp. 253–76. Also: Ludwig von Mises, The Theory of Money and Credit. Indianapolis, Indiana: Liberty Fund, 1980: pp. 162–63.

22 According to Keynes, "[t]he psychological time-preferences of an individual require two distinct sets of decisions to carry them out completely. The first is concerned with that aspect of time-preference that I called the propensity to consume, which, operating under the influence of the various motives set forth in Book III, determines for each individual how much of his income he will consume and how much he will reserve in some form of command over future consumption. But this decision having been made, there is a further decision that awaits him, namely, in what form he will hold the command over future consumption that he has reserved, whether out of his current income or from previous savings…. It should be obvious that the rate of interest cannot be a return to saving or waiting as such. For if a man hoards his savings in cash, he earns no interest, though he saves just as much as before." (Keynes 2008, pp. 166–67).

capital goods.[23]

The rate of interest on a good, or what Mises called the *originary interest*, is that established by the ratio of the value of future goods discounted against the value of present goods.[24] As explained by Jesús Huerta de Soto, "the term 'interest rate' [denotes] the market price of present goods in relation to future goods."[25]

Money relates to the rate of interest in the sense that as a medium of exchange money can be used to acquire a certain amount of goods. Instead of bartering actual capital on the market, money allows for a complex series of exchanges to take place, without one individual having to directly satisfy another by offering the other the *exact* good in demand. As such, the lending and borrowing of money follows the same praxeological laws as other goods. Like any other goods on the market, as price decreases demand increases. As the supply of money on the market increases the cost of borrowing, or the rate of interest, decreases and the quantity demanded of loanable funds increases. This tends to catalyze investment.

Austrians distinguish between a rise in the supply of loanable funds as a result of an increase in savings and the rise resulting from an increase in the supply of money. The latter is what leads to the business cycle. Providing a complete understanding of the Austrian business-cycle theory would require a deeper foray into Austrian capital theory, which unfortunately is something outside the scope of the present essay. Regardless, using what has been established thus far, the business-cycle theory can be explained as one that predicts discoordination in the market resulting from an artificial decrease in the cost to borrow money. This decrease in the rate of interest is artificial in the sense that it came as a result, not of an increase in loanable funds through an increase in savings, but an increase in loanable funds through an increase in the supply of money.[26]

Given that a decrease in the market rate of interest will lead to an increase in the quantity demanded of loanable funds, this leads to an increase in investment. Investment leads to the lengthening of the structure of production in the hope of producing future goods.

Discoordination is caused by the fact that, given that the supply of money was increased artificially, consumers have not generally sacrificed present consumption for future

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23 On the subject, Mises wrote, "[a] drop in commodity prices, other things being equal, causes a drop in the money equivalent of the various individuals' capital. But this is not tantamount to a reduction in the supply of capital goods and does not require an adjustment of production activities to an alleged impoverishment. It merely alters the money items to be applied in monetary calculation" (Mises 1998, p. 519). Interestingly, Jörg Guido Hülsmann suggests that in an economy using a commodity currency the structure of production will be affected by an increase in demand for money, since an increase in demand for money would raise the return on investment for gold production. As capital flows from other industries into gold production, the rate of investment for gold lowers, while the rate of investment for other industries increases, thus causing a change in the rate of interest. Hülsmann notes that this relationship does not exist with fiat money, given that the marginal cost of production of fiat money is already near zero. See Jörg Guido Hülsmann, "The Demand For Money and the Time-Structure of Production."

24 Mises 1998, pp. 521–34.

25 Huerta de Soto 2009, p. 285.

26 The clearest explanation of the Austrian business-cycle theory, and the necessary capital theory, is provided by Jesús Huerta de Soto and his book, Money, Bank Credit and Economic Cycles. Ludwig von Mises also gives an overview of the business-cycle theory in Human Action. Business-cycle theory reached its farthest intellectual extent, in the sense of development, under Hayek. Hayek's contributions to the theory of the trade cycle can be read in his Prices & Production and Other Works. For those interested in capital theory, one of the most complete books on the subject remains Hayek's Pure Theory of Capital. A more popularized explanation of Austrian capital theory is provided by Robert Murphy, "The Importance of Capital Theory."

consumption. Thus, existing capital is divided between continued production of consumer goods, for present consumption, and capital goods, which will be used to finance projects dedicated towards satisfying future consumption. This discoordination leads to widespread malinvestment, and when this discoordination is revealed it leads to an inevitable bust. Thus, Austrians hold that business cycles are caused by intertemporal discoordination, caused by artificial increases in the supply of loanable funds without an equal fall in present consumption.[27]

Socialist Calculation Problem

While business-cycle theory is perhaps what the Austrians are currently most well known for, there is a myriad of other concepts the Austrians introduced or expanded upon. One such insight is that of the socialist calculation problem.

There is no objection amongst economists that given the existence of scarcity, the market is in need of a rationing device. Most economists, except those in extreme favor of centralized rationing, will also agree with the notion that price is the best rationing device of the market.[28] While price hardly acts as a measure of value, due to the fact that no object has an objective value,[29] it nevertheless serves as a useful tool to coordinate production by serving as a conveyor of information between different market agents and a method by which an individual can decide whether or not a particular action is economical.[30]

In a socialistic economy, where prices are absent, this coordination would simply not exist. There would be no host of individual agents communicating through the price mechanism and allocating resources by means of subjective ratiocination. As a result, all meaningful economic activity would come to a halt. Complex programs would be impossible to complete economically, since without a price mechanism there would be no way for a central planner to distribute resources according to their most economical use. Thus, socialist economies are bound to fail.[31]

These key Austrian positions have been explained in an effort to offer the reader an introduction. Understanding the basics of Austrian methodology, monetary and capital theory, and finally Mises's calculation problem, the reader can now fully plunge into a wider and deeper body of Austrian theory.

A Brief History of the Austrian School

Adam Smith is generally considered the father of political economy, and between Smith and the marginal revolution it is traditionally believed that there was a linear progression in

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27 Similarly, popular accounts of the business cycle can be found in books such as Thomas Woods's Meltdown, or The Austrian Theory of the Trade Cycle and Other Essays, edited by Richard Ebeling.

28 One mainstream macroeconomics textbook states that "[s]carcity implies the need for a rationing device … many other alternatives to dollar price could be used as a rationing device. However, each discriminates against someone, and none is clearly superior to dollar price" (Arnold, Roger A., Macroeconomics. Mason, Ohio: Thomson South-Western, 2008: p. 4).

29 "Money calculations have their limits. Money is neither a yardstick of value nor of prices. Money does not measure value" (Mises 1951, p. 115).

30 Ibid.

31 Ludwig von Mises's Socialism is perhaps the single greatest treatise covering the shortcomings of a socialist economy. Human Action also dedicates a chapter to the subject (pp. 694–711). Finally, Friedrich Hayek's Socialism and War offers the reader insight on the progress of the socialist calculation debate up to the 1970s.

the science of economics.[32] Schumpeter's *History of Economic Analysis* suggested otherwise, and since then there has been a wealth of revisionism looking to correct economists' view on the Smithian movement. From an Austrian perspective, Smith did much to damage economic theory. Not only was much of Smithian theory erroneous — including his monetary and value theories — but also *The Wealth of Nations* effectively blotted out a rich tradition of economics prior to the Scottish enlightenment, including the School of Salamanca and the French liberals.[33] It was left to the marginalists of the late 19th century to "rediscover" much of the pre-Smithian tradition.[34]

The marginalist revolution was spearheaded by William Stanley Jevons, Léon Walras, and Carl Menger through the concept of *marginal utility*. It was Carl Menger who founded the Austrian School, expounding his ideas in two major economic works: *Principles of Economics and Investigations into the Method of the Social Sciences with Special Reference to Economics.* While Carl Menger laid the foundations for Austrian theory, his greatest influence was his support of an individualistic approach to economics, or what is called *methodological individualism*. This would ultimately lead to Mises's development of praxeology. In fact, Mises alludes to the importance of Menger's methodology by describing what was called the *Methodenstreit* (dispute on method) between Menger and Gustav Schmoller of the German Historical School (and others). While Menger's methodology did not recognize economic logic as all derived from the same axiom, one can certainly find the roots of the schism between a priori reasoning and empiricism in Menger.[35]

Menger influenced two important economists. These were brothers-in-law Eugen von Böhm-Bawerk and Friedrich von Wieser. Böhm-Bawerk considerably developed Austrian capital theory, expounded over two important volumes — *Capital and Interest* and *The Positive Theory of Capital*. Perhaps his greatest contributions to capital theory were his concepts of time-preference and roundaboutness. Böhm-Bawerk also wrote a devastating criticism of Marxism and Marxian economics, *Karl Marx and the Close of his System*. Friedrich von Wieser made great strides in the socialist-calculation debate and would also become widely known for his development of the concept of opportunity cost.[36]

Ludwig von Mises did not become immediately acquainted with Menger's economics. Mises read Menger's Principles only after Menger had retired from the University of Vienna. Jörg

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32 The belief that Adam Smith was a negative influence is unconventional and heterodox. As the present overview of the history of economic thought is purposefully brief, a much more complete analysis of the contributions of Adam Smith can be found here: Murray N. Rothbard, "The Adam Smith Myth."

33 On the progress of economic science as nonlinear, see Rothbard 1995, p. 438. For an overview of Smith's theoretical mistakes see Rothbard 1995, pp. 441–71. Rothbard writes, "The most unfortunate aspect of the total Smithian takeover in economics was not so much his own considerable tissue of error, but even more the blotting out of knowledge of the rich tradition of economic thought that had developed before Smith" (Rothbard 1995, p. 502.)

34 Ibid., p. 502. "As a result, the Austrians and their nineteenth century predecessors, largely deprived of knowledge of the pre-Smithian tradition, were in many ways forced to reinvent the wheel."

35 Mises 1998, pp. 4–5. Also, see Mises's Historical Setting of the Austrian School of Economics. Jörg Guido Hülsmann provides a very clear exposition of Menger's methodology: "Menger did not use abstract models to posit falsifiable hypotheses that are then tested by experience. Instead, Menger's was an analytical method that began with the smallest empirical phenomena and proceeded logically from there. This put Menger in a position to consider market exchanges and prices as macro-phenomena and to explain how they are caused by atomistic, but empirically ascertainable 'elements of the human economy' situated in an economic microcosm of individual needs and the marginal quantities owned and acquired" (Mises: The Last Knight of Liberalism. Auburn, Alabama: Ludwig von Mises Institute, 2007: pp. 104–105).

36 One of the best histories of the early years of Austrian thought is provided by Hülsmann 1997, pp. 101–74.

Guido Hülsmann believes that Mises became fully aware of Menger after being exposed to Friedrich Wieser, who gave a series of lectures at the university and attempted to expand on Menger's theories on money. Both Menger's book and Wieser's lectures impacted Mises's later writings on money, in many ways providing the basis of Mises's beliefs. While Menger did not immediately persuade Mises to embrace liberalism, it did cause a fundamental shift in the way Mises critically viewed the legitimacy of government intervention. It was this critical approach to theory that slowly converted Mises into the great liberal economist of *Human Action*, written over forty years after his first encounter with Menger and the Austrian School.[37]

While Human Action can be considered the peak of Mises's intellectual career, it was not long after reading Menger that Mises published his first major theoretical work. This was The Theory of Money and Credit, published in 1912. It was this book that propelled Mises to forefront of the study of economics, although Mises's success was interrupted by the eruption of the Great War in 1914. Also rather unfortunate was the fact that The Theory of Money and Credit was not translated into English until the 1930s. Ultimately, Mises's views on money were drowned out by the views of figures such as Fisher and Marshall. Regardless, after the Great War Mises continued theorizing and developed Austrian methodology (what he would refer to as praxeology), he elucidated the socialist calculation problem, and prepared his great treatise, Human Action. The wide scope of Mises's contributions to Austrian theory, and the depths to which he pursued these topics, makes him the most important Austrian economist — and, to an Austrian, the most important economist of the 20th century.

Apart from directly contributing to the renaissance of Austrian thought, Mises also influenced many other economists, including Friedrich Hayek. Hayek contributed greatly by popularizing Austrian theory. During his stint at the London School of Economics, Hayek enjoyed widespread support of his beliefs, including from Lionel Robbins. Hayek was also awarded the Nobel Memorial Prize in Economic Sciences, a major stimulant in the resurgence of the Austrian School during the last two decades of the 20th century.

Hayek also contributed greatly to the Austrian theoretical corpus. This includes his work on the Austrian business-cycle theory,[38] for which he would be awarded the Nobel Memorial Prize, and his writings that further developed capital theory.[39] Hayek also revisited the calculation problem and was a renowned political scientist. Today, he is probably most well-known for *Road to Serfdom*, where he warned that all "middle of the road" policies would eventually lead to socialism and tyranny.

After Hayek came a host of new Austrians. Many of them were not Austrians of the same ilk as Mises, but were nevertheless greatly influenced by Austrian methodology and theory. The post-Hayek generation of economists includes Israel Kirzner and Murray Rothbard, the latter

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37 Hülsmann writes, "Reading Carl Menger did not immediately produce the author of Human Action. Mises's own statism was too deeprooted: he had absorbed it from the earliest days of his childhood, and he unconsciously applied it in his research for the Grünberg and Philippovich seminars…. What Menger's Principles did was to change fundamentally Mises's outlook on the analysis of social problems…. All government intervention must therefore be considered carefully before it is allowed to disrupt the order of the market" (Hülsmann 1997, pp. 80–93).

38 Hayek's major contributions to business-cycle theory have been condensed into one volume by the Ludwig von Mises Institute: Prices & Production and Other Works.

39 Hayek never completed his writings on capital theory, with Pure Theory of Capital being only the first part of an at least two-volume series on capital. Nevertheless, in many ways Hayek's theories represent the maximum extent of Austrian theory of capital.

of which heavily influenced the Austrian School by merging the school's classical-liberal ethical foundations with anarchism. Although the Austrian School had already become much more than a school of economics, Rothbard fully broadened the scope to cover ethics and political science. The state of modern "Austrianism" owes much to Rothbard, even if many Austrians disagree with Rothbard's conclusions.[40]

Today, the Austrian School has grown to include an even larger body of professional economists, and a previously inconceivable body of followers and students. There is no doubt that great strides will be made in theory, throughout the multitude of fields that now completely fall within the scope of the school.

Relevance

Apart from the school's valuable insight in academics, how is the Austrian School relevant to current events? What makes Austrian theory important to the common man?

The answer to these questions can be deduced praxeologically, beginning with the axiom of human action. If we accept society as merely a web of purposeful interactions between individuals, then we begin to realize the potential distortions caused by exogenous factors — namely government through regulation. As a value-free science, praxeology cannot tell you whether or not government intervention is good or bad[41] but it can tell you the consequences of exogenous distortion of human action. "Austrian" ethics, on the other hand, do serve the purpose of deciding between "good" and "bad," but in the purest sense the Austrian School can at least enlighten the layman by suggesting what effects certain economic policies will have.

This idea that government distorts, for better or for worse, is important. In a world where government is an irrefutable reality[42], and where intellectually the concept of anarchism has not been accepted by the mainstream, Austrian economics becomes very relevant in the sense of aiding individuals to judge the value of certain government programs. With an ongoing financial crisis and an impending greater crash, there is no better time to become aware of the consequences of interventionism.

It was the aim of the present essay to skim the surface of Austrian theory, in the hope that those interested will further explore Austrian thought. The message is not necessarily that one should uncompromisingly accept the views of the Austrian School, only that these insights are valuable and can add to whatever knowledge is already held by any given individual.

Nevertheless, the rigor of the Austrian method makes its methodology incomparable to that of any other school, which certainly makes the case for Austrian theory that much stronger.

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40 Disagreements with Rothbard range from political science, to ethics, to economics. Some main examples include the dichotomy between "free bankers" and "hundred-percent reservists," and anarchocapitalists and minarchists.

41 Editors note: On whether said actions are justifiable or not. See Konrad Graf, "Action-Based Jurisprudence: Praxeological Legal Theory in Relation to Economic Theory, Ethics, and Legal Practice," Libertarian Papers 3, 19 (2011). Online at: libertarianpapers.org.

42 Editors note: For an alternate perspective, Alfred G. Cuzán, "Do We Ever Really Get Out of Anarchy?," Journal of Libertarian Studies 3, no. 2 (1979): 151–58.



Acting requires and presupposes the category of causality. Only a man who sees the world in the light of causality is fitted to act. In this sense we may say that causality is a category of action. The category means and ends presupposes the category cause and effect. In a world without causality and regularity of phenomena there would be no field for human reasoning and human action. Such a world would be a chaos in which man would be at a loss to find any orientation and guidance. Man is not even capable of imagining the conditions of such a chaotic universe. Where man does not see any causal relation, he cannot act.

— Ludwig von Mises, Human Action, p. 22.

The praxeological tradition, though named only recently, has a long and honored place in the history of economic thought. In the first great methodological controversy in our science, John Stuart Mill was the positivist and Nassau Senior the praxeologist, with J.E. Cairnes wavering between the two positions. Later on, the praxeologic method was further developed by the early Austrians, by Wicksteed, and by Richard Strigl, reaching its full culmination in the works of Ludwig von Mises.

— Murray N. Rothbard, In Defense of "Extreme Apriorism".

The major function of praxeology-of economics-is to bring to the world the knowledge of these indirect, these hidden, consequences of the different forms of human action. The hidden order, harmony, and efficiency of the voluntary free market, the hidden disorder, conflict, and gross inefficiency of coercion and intervention-these are the great truths that economic science, through deductive analysis from self-evident axioms, reveals to us.[...] 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.

— Murray N. Rothbard, Man, Economy and State with Power and Market, p. 1025.



On Praxeology And the Praxeological Foundation of Epistemology

Hans-Hermann Hoppe

Praxeology says that all economic propositions which claim to be true must be shown to be deducible by means of formal logic from the incontestably true material knowledge regarding the meaning of action. Specifically, all economic reasoning consists of the following:

(1) an understanding of the categories of action and the meaning of a change occurring in such things as values, preferences, knowledge, means, costs, etc;

(2) a description of a world in which the categories of action assume concrete meaning, where definite people are identified as actors with definite objects specified as their means of action, with some definite goals identified as values and definite things specified as costs. Such description could be one of a Robinson Crusoe world, or a world with more than one actor in which interpersonal relationships are possible; of a world of barter exchange or of money and exchanges that make use of money as a common medium of exchange; of a world of only land, labor, and time as factors of production, or a world with capital products; of a world with perfectly divisible or indivisible, specific or unspecific factors of production; or of a world with diverse social institutions, treating diverse actions as aggression and threatening them with physical punishment, etc; and

(3) a logical deduction of the consequences which result from the performance of some specified action within this world, or of the consequences which result for a specific actor if this situation is changed in a specified way.

Provided there is no flaw in the process of deduction, the conclusions that such reasoning yield must be valid a priori because their validity would ultimately go back to nothing but the indisputable axiom of action. If the situation and the changes introduced into it are fictional or assumptional (a Robinson Crusoe world, or a world with only indivisible or only completely specific factors of production), then the conclusions are, of course, a priori true only of such a "possible world." If, on the other hand, the situation and changes can be identified as real, perceived and conceptualized as such by real actors, then the conclusions are a priori true propositions about the world as it really is.

Such is the idea of economics as praxeology. And such then is the ultimate disagreement that Austrians have with their colleagues: Their pronouncements cannot be deduced from the axiom of action or even stand in clear-cut contradiction to propositions that can be deduced from the axiom of action.

And even if there is agreement on the identification of facts and the assessment of certain events as being related to each other as causes and consequences, this agreement is superficial. For such economists falsely believe their statements to be empirically well-tested propositions when they are, in fact, propositions that are true a priori.

— Hans-Hermann Hoppe, Economic Science and the Austrian Method, Chapter One - Praxeology and Economic Science.

On Praxeology and the Praxeological Foundation of Epistemology

I

As have most great and innovative economists, Ludwig von Mises intensively and repeatedly analyzed the problem of the logical status of economic propositions, i.e., how we come to know them and how we validate them. Indeed, Mises ranks foremost among those who hold that such a concern is indispensable in order to achieve systematic progress in economics. For any misconception regarding the answer to such fundamental questions of one's intellectual enterprise would naturally have to lead to intellectual disaster, i.e., to false economic doctrines. Accordingly, three of Mises's books are devoted entirely to clarifying the logical foundations of economics: His early *Epistemological Problems of* Economics, published in German in 1933; his *Theory and History* of 1957; and his *Ultimate Foundations of Economic Science* of 1962, Mises's last book, appearing when he was already well past his eightieth birthday. And his works in the field of economics proper also invariably display the importance which Mises attached to the analysis of epistemological

This essay is from Hans-Hermann Hoppe, *The Economics and Ethics of Private Property* (Kluwer Academic Publishers in 1993), pp. 141–64 and it is reprinted here with permission of Kluwer Academic Publishers.

problems. Most characteristically, *Human Action*, his masterpiece, deals in its first hundred-odd pages exclusively with such problems, and the other nearly 800 pages of the book are permeated with epistemological considerations.

Quite in line with the tradition of Mises, then, the foundations of economics are also the subject of this chapter. I have set myself a twofold goal. First, I want to explain the solution which Mises advances regarding the problem of the ultimate foundation of economic science, i.e., his idea of a pure theory of action, or praxeology, as he himself terms it. And secondly, I want to demonstrate why Mises's solution is much more than just an incontestable insight into the nature of economics and economic propositions.

It provides an insight that also enables us to understand the foundation on which epistemology ultimately rests. In fact, as the title of the chapter suggests, I want to show that it is praxeology which must be regarded as the very foundation of epistemology, and hence that Mises, aside from his great achievements as an economist, also contributed path-breaking insights regarding the justification of the entire enterprise of rationalist philosophy.[40]

II

Let me turn to Mises's solution. What is the logical status of typical economic propositions such as the law of marginal utility (that whenever the supply of a good whose

[40]See on the following also my *Kritik der kausalwissenschaftlichen Sozialforschung. Untersuchungen zur Grundlegung von Soziologie und Ökonomie*; idem, "Is Research Based on Causal Scientific Principles Possible in the Social Sciences?," chapter 7); idem, "In Defense of Extreme Rationalism."

units are regarded as of equal serviceability by a person increases by one additional unit, the value attached to this unit must decrease as it can only be employed as a means for the attainment of a goal that is considered less valuable than the least valuable goal previously satisfied by a unit of this good); or of the quantity theory of money (that whenever the quantity of money is increased while the demand for money to be held in cash reserve on hand is unchanged, the purchasing power of money will fall)?

In formulating his answer, Mises faced a double challenge. On the one hand, there was the answer offered by modern empiricism. The Vienna Ludwig von Mises knew was in fact one of the early centers of the empiricist movement: a movement which was then on the verge of establishing itself as the dominant academic philosophy of the Western world for several decades, and which to this very day shapes the image that an overwhelming majority of economists have of their own discipline.[41]

Empiricism considers nature and the natural sciences as its model. According to empiricism, the aforementioned examples of economic propositions have the same logical

[41]On the Vienna Circle see V. Kraft, *Der Wiener Kreis* (Vienna: Springer, 1968); for empiricist-positivist interpretations of economics see such representative works as Terence W. Hutchison, *The Significance and Basic Postulates of Economic Theory* [Hutchison, an adherent of the Popperian variant of empiricism, has since become much less enthusiastic about the prospects of a Popperized economics—see, for instance, his *Knowledge and Ignorance in Economics*—yet he still sees no alternative but to cling to Popper's falsificationism anyway.]; Milton Friedman, "The Methodology of Positive Economics," in idem, *Essays in Positive Economics*; Mark Blaug, *The Methodology of Economics*; a positivist account by a participant in Mises's *Privat Seminar* in Vienna is F. Kaufmann, *Methodology of the Social Sciences*; the dominance of empiricism in economics is documented by the fact that there is probably not a single textbook, which does not explicitly classify economics as—what else?—an empirical (a posteriori) science.

status as laws of nature: Like laws of nature they state hypothetical relationships between two or more events, essentially in the form of if-then statements. And like hypotheses of the natural sciences, the propositions of economics require continual testing *vis-à-vis* experience. A proposition regarding the relationship between economic events can never be validated once and for all with certainty. Instead, it is forever subject to the outcome of contingent, future experiences. Such experience might confirm the hypothesis. But this would not prove the hypothesis to be true, since the economic proposition would have used general terms (in philosophical terminology: universals) in its description of the related events, and thus would apply to an indefinite number of cases or instances, thereby always leaving room for possibly falsifying future experiences. All a confirmation would prove is that the hypothesis had not yet turned out wrong. On the other hand, the experience might falsify the hypothesis. This would surely prove that something was wrong with the hypothesis as it stood. But it would not prove that the hypothesized relationship between the specified events could never be observed. It would merely show that considering and controlling in one's observations only what up to now had been actually accounted for and controlled, the relationship had not yet shown up. It cannot be ruled out, however, that it might show up as soon as some other circumstances have been controlled.

The attitude that this philosophy fuels and that has indeed become characteristic of most contemporary economists and their way of conducting their business is one of skepticism: the motto being "nothing can be known with certainty to be impossible in the realm of economic phenomena." Even more precisely, since empiricism conceives

of economic phenomena as objective data, extending in space and subject to quantifiable measurement—in strict analogy to the phenomena of the natural sciences—the peculiar skepticism of the empiricist economist may be described as that of a social engineer who will not guarantee anything.[42]

The other challenge came from the side of the historicist school. Indeed, during Mises's life in Austria and Switzerland, the historicist philosophy was the prevailing ideology of the German-speaking universities and their establishment. With the upsurge of empiricism this former prominence has been reduced considerably. But over roughly the last decade historicism has regained momentum among the Western world's academia. Today it is with us everywhere under the names of hermeneutics, rhetoric, deconstructionism, and epistemological anarchism.[43]

For historicism, and most conspicuously for its contemporary versions, the model is not nature but a literary text. Economic phenomena, according to the historicist doctrine, are not objective magnitudes that can be measured. Instead, they are subjective expressions and interpretations unfolding in history to be understood and interpreted by the economist

[42]On the relativistic consequences of empiricism–positivism see also Hoppe, *A Theory of Socialism and Capitalism* (Boston: Kluwer Academic Publishers, 1989), chapter 6; idem, "The Intellectual Cover for Socialism."

[43]See Ludwig von Mises, *The Historical Setting of the Austrian School of Economics* (Auburn, Ala.:Ludwig von Mises Institute, 1984); idem, *Erinnerungen* (Stuttgart: Gustav Fischer, 1978); idem, *Theory and History*, chapter 10; Murray N. Rothbard, *Ludwig von Mises: Scholar, Creator, Hero* (Auburn, Ala.: Ludwig von Mises Institute, 1988); for a critical survey of historicist ideas see also Karl Popper, *The Poverty of Historicism*; for a representative of the older version of a historicist interpretation of economics see Werner Sombart, *Die drei Nationalökonomien* (Munich: Duncker & Humblot, 1930); for the modern, hermeneutical twist Donald McCloskey, *The Rhetoric of Economics* (Madison: University of Wisconsin Press, 1985); Ludwig Lachmann, "From Mises to Shackle: An Essay on Austrian Economics and the Kaleidic Society," *Journal of Economic Literature* (1976).

just as a literary text unfolds before and is interpreted by its reader. As subjective creations, the sequence of their events follows no objective law. Nothing in the literary text, and nothing in the sequence of historical expressions and interpretations is governed by constant relations. Of course, certain literary texts actually exist, and so do certain sequences of historical events. But this by no means implies that anything had to happen in the order it did. It simply occurred. In the same way, however, as one can always invent different literary stories, history and the sequence of historical events, too, might have happened in an entirely different way. Moreover, according to historicism, and particularly visible in its modern hermeneutical version, the formation of these always contingently related human expressions and their interpretations is also not constrained by any objective law. In literary production anything can be expressed or interpreted concerning everything; and, along the same line, historical and economic events are whatever someone expresses or interprets them to be, and their description by the historian and economist is then whatever he expresses or interprets these past subjective events to have been.

The attitude that historicist philosophy generates is one of relativism. Its motto is "everything is possible." Unconstrained by any objective law, for the historicist–hermeneutician history and economics, along with literary criticism, are matters of esthetics. And accordingly, his output takes on the form of disquisitions on what someone feels about what he feels was felt by somebody else—a literary form which we are only too familiar with, in particular in such fields as sociology and political science.[44]

[44]On the extreme relativism of historicism–hermeneutics see Hoppe, "In Defense of Extreme Rationalism"; Murray N. Rothbard, "The Hermeneutical Invasion of Philosophy and Economics," *Review of Austrian Economics* (1988); Henry Veatch,

I trust that one senses intuitively that something is seriously amiss in both the empiricist as well as the historicist philosophies. Their epistemological accounts do not even seem to fit their own self-chosen models: nature on the one hand and literary texts on the other. And in any case, regarding economic propositions such as the law of marginal utility or the quantity theory of money their accounts seem to be simply wrong. The law of marginal utility certainly does not strike one as a hypothetical law subject forever for its validation to confirming or disconfirming experiences popping up here or there. And to conceive of the phenomena talked about in the law as quantifiable magnitudes seems to be nothing but ridiculous. Nor does the historicist interpretation seem to be any better. To think that the relationship between the events referred to in the quantity theory of money can be undone if one only wished to do so seems absurd. And the idea appears no less absurd that concepts such as money, demand for money, and purchasing power are formed without any objective constraints and refer merely to whimsical subjective creations. Instead, contrary to the empiricist doctrine, both examples of economic propositions appear to be logically true and to refer to events which are subjective in nature. And contrary to historicism, it would seem that what they state, then, could not possibly be undone in all of history and would contain conceptual distinctions which, while referring to subjective events, were nonetheless objectively constrained, and would incorporate universally valid knowledge.

"Deconstruction in Philosophy: Has Rorty Made it the Denouement of Contemporary Analytical Philosophy," *Review of Metaphysics* (1985); Jonathan Barnes, "A Kind of Integrity," *Austrian Economics Newsletter* (Summer 1987); David Gordon, *Hermeneutics vs. Austrian Economics* (Auburn, Ala.: Ludwig von Mises Institute, Occasional Paper Series, 1987); for a brilliant critique of contemporary sociology see St. Andreski, *Social Science as Sorcery* (New York: St. Martin's Press, 1973).

Like most of the better known economists before him, Mises shares these intuitions.[45] Yet in quest of the foundation of economics, Mises goes beyond intuition. He takes on the challenge posed by empiricism and historicism in order to reconstruct systematically the basis on which these intuitions can be understood as correct and justified. He thereby does not want to help bring about a new discipline of economics. But in explaining what formerly had only been grasped intuitively, Mises goes far beyond what had ever been done before. In reconstructing the rational foundations of the economists' intuitions, he assures us of the proper path for any future development in economics and safeguards us against systematic intellectual error.

Empiricism and historicism, Mises notes at the outset of his reconstruction, are self-contradictory doctrines.[46] The empiricist notion that all events, natural or economic, are only hypothetically related is contradicted by the message of this very basic empiricist proposition itself: For if this proposition were regarded as itself being merely hypothetically true, i.e., a hypothetically true proposition regarding hypothetically true propositions, it would not even qualify as an epistemological pronouncement. For it would then provide no justification whatsoever for the claim that economic

[45]Regarding the epistemological views of such predecessors as J. B. Say, Nassau W. Senior, J. E. Cairnes, John Stuart Mill, Carl Menger, and Friedrich von Wieser see Ludwig von Mises, *Epistemological Problems of Economics*, pp. 17–23; also Murray N. Rothbard, "Praxeology: The Methodology of Austrian Economics," in Edwin Dolan, ed., *The Foundations of Modern Austrian Economics* (Kansas City: Sheed and Ward, 1976).

[46]In addition to Mises's works cited at the outset of this chapter and the literature mentioned in note 40, see Murray N. Rothbard, *Individualism and the Philosophy of the Social Sciences* (San Francisco: Cato Institute, 1979); for a splendid philosophical critique of empiricist economics see Hollis and Nell, *Rational Economic Man*; as particularly valuable general defenses of rationalism as against empiricism and relativism—without reference to economics, however,—see Blanshard, *Reason and Analysis*; Kambartel, *Erfahrung und Struktur*.

propositions are not, and cannot be, categorically, or a priori true, as our intuition informs us they are. If, however, the basic empiricist premise were assumed to be categorically true itself, i.e., if we assume that one could say something a priori true about the way events are related, then this would belie its very own thesis that empirical knowledge must invariably be hypothetical knowledge, thus making room for a discipline such as economics claiming to produce a priori valid empirical knowledge. Further, the empiricist thesis that economic phenomena must be conceived of as observable and measurable magnitudes—analogous to those of the natural sciences—is rendered inconclusive, too, on its own account: For, obviously, empiricism wants to provide us with meaningful empirical knowledge when it informs us that our economic concepts are grounded in observations. And yet, the concepts of observation and measurement themselves, which empiricism must employ in claiming what it does, are both obviously not derived from observational experience in the sense that concepts such as hens and eggs or apples and pears are. One cannot observe someone making an observation or measurement. Rather, one must first understand what observations and measurements are in order to then be able to interpret certain observable phenomena as the making of an observation or the taking of a measurement. Thus, contrary to its own doctrine, empiricism is compelled to admit that there is empirical knowledge which is based on understanding—just as according to our intuitions economic propositions claim to be based on understanding—rather than on observations.[47]

[47]For an elaborate defense of epistemological dualism see also Apel, *Transformation der Philosophie,* 2 vols. and Habermas, *Zur Logik der Sozialwissenschaften.*

And regarding historicism, its self-contradictions are no less manifest. For if, as historicism claims, historical and economic events—which it conceives of as sequences of subjectively understood rather than observed events—are not governed by any constant, time-invariant relations, then this very proposition also cannot claim to say anything constantly true about history and economics. Instead, it would be a proposition with, so to speak, a fleeting truth value: it may be true now, if we wish it so, yet possibly false a moment later, in case we do not, with no one ever knowing anything about whether we do or do not. Yet, if this were the status of the basic historicist premise, it, too, would obviously not qualify as an epistemology. Historicism would not have given us any reason why we should believe any of it. If, however, the basic proposition of historicism were assumed to be invariantly true, then such a proposition about the constant nature of historical and economic phenomena would contradict its own doctrine denying any such constants. Furthermore, the historicist's—and even more so its modern heir, the hermeneutician's—claim that historical and economic events are mere subjective creations, unconstrained by any objective factors, is proven false by the very statement making it. For evidently, a historicist must assume this very statement to be meaningful and true; he must presume to say something specific about something, rather than merely uttering meaningless sounds like abracadabra. Yet if this is the case, then, clearly, his statement must be assumed to be constrained by something outside the realm of arbitrary subjective creations. Of course, I can say what the historicist says in English, German, or Chinese, or in any other language I wish, in so far as historic and economic expressions and interpretations may well be regarded as mere subjective creations. But whatever I say in whatever

language I choose must be assumed to be constrained by some underlying propositional meaning of my statement, which is the same for any language, and exists completely independent of whatever the peculiar linguistic form may be in which it is expressed. And contrary to historicist belief, the existence of such a constraint is not such that one could possibly dispose of it at will. Rather, it is objective in that we can understand it to be the logically necessary presupposition for saying anything meaningful at all, as opposed to merely producing meaningless sounds. The historicist could not claim to say anything if it were not for the fact that his expressions and interpretations are actually constrained by laws of logic as the very presupposition of meaningful statements as such.[48]

With such a refutation of empiricism and historicism, Mises notices, the claims of rationalist philosophy are successfully reestablished, and the case is made for the possibility of a priori true statements, as those of economics seem to be. Indeed, Mises explicitly regards his own epistemological investigations as the continuation of the work of western rationalist philosophy. With Leibniz and Kant he stands opposite the tradition of Locke and Hume.[49] He sides with Leibniz when he answers Locke's famous dictum "nothing is in the intellect that has not previously been in the senses" with his equally famous one "except the intellect itself." And he recognizes his task as a philosopher of economics as strictly analogous to that of Kant's as a philosopher of pure reason, i.e., of epistemology. Like Kant, Mises wants to demonstrate the existence of true a priori synthetic propositions, or propositions whose truth values can be definitely established, even

[48]See on this in particular Hoppe, "In Defense of Extreme Rationalism."

[49]See Mises, *The Ultimate Foundation of Economic Science*, p. 12.

though in order to do so the means of formal logic are insufficient and observations are unnecessary.

My criticism of empiricism and historicism has proved the general rationalist claim. It has proved that we indeed do possess knowledge which is not derived from observation and yet is constrained by objective laws. In fact, our refutation of empiricism and historicism contains such a priori synthetic knowledge. Yet what about the constructive task of showing that the propositions of economics—such as the law of marginal utility and the quantity theory of money—qualify as this type of knowledge? In order to do so, Mises notices in accordance with the strictures traditionally formulated by rationalist philosophers, economic propositions must fulfill two requirements: First, it must be possible to demonstrate that they are not derived from observational evidence, for observational evidence can only reveal things as they happen to be; there is nothing in it that would indicate why things *must* be the way they are. Instead, economic propositions must be shown to be grounded in reflective cognition, in our understanding of ourselves as knowing subjects. And secondly, this reflective understanding must yield certain propositions as self-evident material axioms. Not in the sense that such axioms would have to be self-evident in a psychological sense, that is, that one would have to be immediately aware of them or that their truth depends on a psychological feeling of conviction. On the contrary, like Kant before him, Mises very much stresses the fact that it is usually much more painstaking to discover such axioms than it is to discover some observational truth such as that the leaves of trees are green or that I am 6 foot 2 inches.[50] Rather, what

[50]See Kant, *Kritik der reinen Vernunft*, p. 45; Mises, *Human Action*, p. 38.

makes them self-evident material axioms is the fact that no one can deny their validity without self-contradiction, because in attempting to deny them one already presupposes their validity.

Mises points out that both requirements are fulfilled by what he terms the axiom of action, i.e., the proposition that humans act, that they display intentional behavior.[51] Obviously, this axiom is not derived from observation—there are only bodily movements to be observed but no such thing as actions—but stems instead from reflective understanding. And this understanding is indeed of a self-evident proposition. For its truth cannot be denied, since the denial would itself have to be categorized as an action. But is this not just plain trivial? And what has economics got to do with this? Of course, it had previously been recognized that economic concepts such as prices, costs, production, money, credit, etc., had something to do with the fact that there were acting people. But that all of economics could be grounded in and reconstructed based on such a trivial proposition and how, is certainly anything but clear. It is one of Mises's greatest achievements to have shown precisely this: that there are insights implied in this psychologically speaking trivial axiom of action that were not themselves psychologically self-evident as well; and that it is these insights which provide the foundation for the theorems of economics as true a priori synthetic propositions.

It is certainly not psychologically evident that with every action an actor pursues a goal; and that whatever the goal may be, the fact that it was pursued by an actor reveals that he must have placed a relatively higher value on it than on any

[51]On the following see in particular Mises, *Human Action*, chapter 4; Murray N. Rothbard, *Man, Economy, and State* (Los Angeles: Nash, 1962), chapter 1.

other goal of action that he could think of at the start of his action. It is not evident that in order to achieve his most highly valued goal an actor must interfere or decide not to interfere—which, of course, is also an intentional interference—at an earlier point in time in order to produce a later result; nor is it obvious that such interferences invariably imply the employment of some scarce means—at least those of the actor's body, its standing room, and the time absorbed by the action. It is not self-evident that these means, then, must also have value for an actor—a value derived from that of the goal—because the actor must regard their employment as necessary in order to effectively achieve the goal; and that actions can only be performed sequentially, always involving a choice, i.e., taking up that one course of action which at some given time promises the most highly valued results to the actor and excluding at the same time the pursual of other, less highly valued goals. It is not automatically clear that as a consequence of having to choose and give preference to one goal over another—of not being able to realize all goals simultaneously—each and every action implies the incurrence of costs, i.e., forsaking the value attached to the most highly ranking alternative goal that cannot be realized or whose realization must be deferred, because the means necessary to attain it are bound up in the production of another, even more highly valued goal. And lastly, it is not evident that at its starting point every goal of action must be considered worth more to the actor than its cost and capable of yielding a profit, i.e., a result whose value is ranked higher than that of the foregone opportunity, and yet that every action is also invariably threatened by the possibility of a loss if an actor finds, in retrospect, that contrary to his expectations the actually achieved result in fact has a lower value than the relinquished alternative would have had.

All of these categories which we know to be the very heart of economics—values, ends, means, choice, preference, cost, profit and loss—are implied in the axiom of action. Like the axiom itself, they are not derived from observation. Rather, that one is able to interpret observations in terms of such categories requires that one already knows what it means to act. No one who is not an actor could ever understand them, as they are not "given," ready to be observed, but observational experience is cast in these terms as it is construed by an actor. And while they and their interrelations were not obviously implied in the action axiom, once it has been made explicit that they are implied, and how, one no longer has any difficulty recognizing them as being a priori true in the same sense as the axiom itself is. For any attempt to disprove the validity of what Mises has reconstructed as implied in the very concept of action would have to be aimed at a goal, requiring means, excluding other courses of action, incurring costs, subjecting the actor to the possibility of achieving or not achieving the desired goal and so leading to a profit or a loss. Thus, it is manifestly impossible to ever dispute or falsify the validity of Mises's insights. In fact, a situation in which the categories of action would cease to have a real existence could itself never be observed or spoken of, since to make an observation and to speak are themselves actions.

All true economic propositions, and this is what praxeology is all about and what Mises's great insight consists of, can be deduced by means of formal logic from this incontestably true material knowledge regarding the meaning of action and its categories. More precisely, all true economic theorems consist of (a) an understanding of the meaning of action, (b) a situation or situational change—assumed to be given or identified as being given—and described in terms of action-categories, and (c) a logical deduction of the consequences—again in terms of such

categories—which are to result for an actor from this situation or situational change. The law of marginal utility, for instance,[52] follows from our indisputable knowledge of the fact that every actor always prefers what satisfies him more over what satisfies him less, plus the assumption that he is faced with an increase in the supply of a good (a scarce mean) whose units he regards as of equal serviceability, by one additional unit. From this it follows with logical necessity that this additional unit can then only be employed as a means for the removal of an uneasiness that is deemed less urgent than the least valuable goal previously satisfied by a unit of such a good. Provided there is no flaw in the process of deduction, the conclusions which economic theorizing yields, no different in the case of any other economic proposition from the case of the law of marginal utility, must be valid a priori. These propositions' validity ultimately goes back to nothing but the indisputable axiom of action. To think, as empiricism does, that these propositions require continual empirical testing for their validation is absurd, and a sign of outright intellectual confusion. And it is no less absurd and confused to believe, as historicism does, that economics has nothing to say about constant and invariable relations but merely deals with historically accidental events. To say so meaningfully is to prove such a statement wrong, as saying anything meaningful at all already presupposes acting and a knowledge of the meaning of the categories of action.

III

This will suffice here as an explanation of Mises's answer regarding the quest for the foundations of economics. I shall

[52]On the law of marginal utility see Mises, *Human Action*, pp. 119–27 and Rothbard, *Man, Economy, and State*, pp. 268–71.

now turn to my second goal: the explanation of why and how praxeology also provides the foundation for epistemology. Mises had been aware of this and he was convinced of the great importance of this insight for rationalist philosophy. Yet Mises did not treat the matter in a systematic fashion. There are no more than a few brief remarks concerning this problem, interspersed throughout his massive body of writing.[53] Thus, in the following I must try to break new ground.

I shall begin my explanation by introducing a second a priori axiom and clarifying its relation to the axiom of action. Such an understanding is the key to solving our problem. The second axiom is the so-called "a priori of argumentation," which states that humans are capable of argumentation and hence know the meaning of truth and validity.[54] As in the case of the action axiom, this knowledge is not derived from observation: there is only verbal behavior to be observed and prior reflective cognition is required in order to interpret such behavior as meaningful arguments. And the validity of the axiom, like that of the action axiom, is indisputable. It is impossible to deny that one can argue, as the very denial would itself be an argument. In fact, one

[53]Mises writes: "Knowledge is a tool of action. Its function is to advise man how to proceed in his endeavor to remove uneasiness. . . . The category of action is the fundamental category of human knowledge. It implies all the categories of logic and the category of regularity and causality. It implies the category of time and that of value. . . . In acting, the mind of the individual sees itself as different from its environment, the external world, and tries to study this environment in order to influence the course of events happening in it" (*The Ultimate Foundation of Economic Science*, pp. 35–36). Or: "Both, apriori thinking and reasoning on the one hand and human action on the other, are manifestations of the mind. . . . Reason and action are congeneric and homogeneous, two aspects of the same phenomenon" (ibid., p.42). Yet he leaves the matter more or less at this and concludes that "it is not the scope of praxeology to investigate the relation of thinking and action" (*Human Action*, p. 25).

[54]On the a priori of argumentation see also K. O. Apel, *Transformation der Philosophie*, vol. 2.

could not even silently say to oneself "I cannot argue" without thereby contradicting oneself. One cannot argue that one cannot argue. Nor can one dispute knowing what it means to make a truth or validity claim without implicitly claiming the negation of this proposition to be true.

It is not difficult to detect that both a priori axioms—of action and argumentation—are intimately related. On the one hand, actions are more fundamental than argumentations with whose existence the idea of validity emerges, as argumentation is only a subclass of action. On the other hand, to recognize what has just been recognized regarding action and argumentation and their relation to each other requires argumentation, and so, in this sense, argumentation must be considered more fundamental than action: without argumentation nothing could be said to be known about action. But then, as it is in argumentation that the insight is revealed that—while it might not be known to be so prior to any argumentation—in fact the possibility of argumentation presupposes action in that validity claims can only be explicitly discussed in the course of an argumentation if the individuals doing so already know what it means to act and to have knowledge implied in action—both the meaning of action in general and argumentation in particular must be thought of as logically necessary interwoven strands of a priori knowledge.

What this insight into the interrelation between the a priori of action and the a priori of argumentation suggests is the following: Traditionally, the task of epistemology has been conceived of as that of formulating what can be known to be true a priori and also what can be known a priori not to be the subject of a priori knowledge. Recognizing, as we have just done, that knowledge claims are raised and decided upon in the course of argumentation and that this is undeniably

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

Yet what is implied in the very fact of arguing? It is to this question that our insight into the inextricable interconnection between the a priori of argumentation and that of action provides an answer: On a very general level, it cannot be denied argumentatively that argumentation presupposes action and that arguments, and the knowledge embodied in them, are those of actors. And more specifically, it cannot then be denied that knowledge itself is a category of action; that the structure of knowledge must be constrained by the peculiar function which knowledge fulfills within the framework of action categories; and that the existence of such structural constraints can never be disproved by any knowledge whatsoever.

It is in this sense that the insights contained in praxeology must be regarded as providing the foundations of epistemology. Knowledge is a category quite distinct from those that I have explained earlier—from ends and means. The ends which we strive to attain through our actions, and the means which we employ in order to do so, are both scarce values. The values attached to our goals are subject to consumption and are exterminated and destroyed in consumption and thus must forever be produced anew. And

the means employed must be economized, too. Not so, however, with respect to knowledge—regardless of whether one considers it a means or an end in itself. Of course, the acquisition of knowledge requires scarce means—at least one's body and time. Yet once knowledge is acquired, it is no longer scarce. It can neither be consumed, nor are the services that it can render as a means subject to depletion. Once there, it is an inexhaustible resource and incorporates an everlasting value provided that it is not simply forgotten.[55] Yet knowledge is not a free good in the same sense that air, under normal circumstances, is a free good. Instead, it is a category of action. It is not only a mental ingredient of each and every action, quite unlike air, but more importantly, knowledge, and not air, is subject to validation, which is to say that it must prove to fulfill a positive function for an actor within the invariant constraints of the categorical framework of actions. It is the task of epistemology to clarify what these constraints are and what one can thus know about the structure of knowledge as such.

While such recognition of the praxeological constraints on the structure of knowledge might not immediately strike one as in itself of great significance, it does have some highly important implications. For one thing, in light of this insight one recurring difficulty of rationalist philosophy finds its answer. It has been a common quarrel with rationalism in the Leibniz–Kant tradition that it seemed to imply some sort of idealism. Realizing that a priori true propositions could not possibly be derived from observations, rationalism answered the question how a priori knowledge could then be possible by adopting the model of an active mind, as opposed

[55]On this fundamental difference between economic, i.e., scarce means and knowledge, see also Mises, *Human Action*, pp. 128, 661.

to the empiricist model of a passive, mirror-like mind in the tradition of Locke and Hume. According to rationalist philosophy, a priori true propositions had their foundation in the operation of principles of thinking which one could not possibly conceive of as operating otherwise; they were grounded in categories of an active mind. Now, as empiricists were only too eager to point out, the obvious critique of such a position is, that if this were indeed the case, it could not be explained why such mental categories should fit reality. Rather, one would be forced to accept the absurd idealistic assumption that reality would have to be conceived of as a creation of the mind, in order to claim that a priori knowledge could incorporate any information about the structure of reality. And clearly, such an assertion seemed to be justified when faced with programmatic statements of rationalist philosophers such as the following by Kant: "So far it has been assumed that our knowledge had to conform to reality," instead it should be assumed "that observational reality should conform to our mind."[56]

Recognizing knowledge as being structurally constrained by its role in the framework of action categories provides the solution to such a complaint. For as soon as this is realized, all idealistic suggestions of rationalist philosophy disappear, and an epistemology claiming that a priori true propositions exist becomes a realistic epistemology instead. Understood as constrained by action categories, the seemingly unbridgeable gulf between the mental on the one hand and the real, outside physical world on the other is bridged. So constrained, a priori knowledge must

[56]Immanuel Kant, *Kritik der reinen Vernunft*, p. 25. Whether or not such an interpretation of Kant's epistemology is indeed correct is, of course, a very different matter. Clarifying this problem is, however, of no concern here. For an activist or constructivist interpretation of Kantian philosophy see F. Kambartel, *Erfahrung und Struktur*, chapter 3; also Hoppe, *Handeln und Erkennen* (Bern: Lang, 1976).

be as much a mental thing as a reflection of the structure of reality, since it is only through actions that the mind comes into contact with reality, so to speak. Acting is a cognitively guided adjustment of a physical body in physical reality. And thus, there can be no doubt that a priori knowledge, conceived of as an insight into the structural constraints imposed on knowledge qua knowledge of actors, must indeed correspond to the nature of things. The realistic character of such knowledge would manifest itself not only in the fact that one could not *think* it to be otherwise, but in the fact that one could not *undo* its truth.

Yet there are more specific implications involved in recognizing the praxeological foundations of epistemology—apart from the general one that in substituting the model of the mind of an actor acting by means of a physical body for the traditional rationalist model of an active mind a priori knowledge immediately becomes realistic knowledge (so realistic indeed that it can be understood as being literally not undoable). More specifically, in light of this insight decisive support is given to those deplorably few rationalist philosophers who—against the empiricist Zeitgeist—stubbornly maintain on various philosophical fronts that a priori true propositions about the real world are possible.[57] Moreover, in

[57]In addition to the works mentioned in note 46 see Brand Blanshard, *The Nature of Thought* (London: Allen and Unwin, 1921); M. Cohen, *Reason and Nature* (New York: Harcourt, Brace, 1931); idem, *Preface to Logic* (New York: Holt, 1944); A. Pap, *Semantics and Necessary Truth* (New Haven: Yale University Press, 1958); S. Kripke, "Naming and Necessity," in D. Davidson and G. Harman, eds., *Semantics of Natural Language* (New York: Reidel, 1972); H. Dingler, *Die Ergreifung des Wirklichen* (Frankfurt/M.: Suhrkamp, 1969); idem, *Aufbau der exakten Fundamentalwissenschaft* (Munich: Eidos, 1964); W. Kamlah and P. Lorenzen, *Logische Propädeutik Mannheim:* (Mannheim: Bibliographisches Institut, 1968); P. Lorenzen, *Methodisches Denken* (Frankfurt/M.: Suhrkamp, 1968); idem, *Normative Logic and Ethics* (Mannheim: Bibliographisches Institut, 1969); K. O. Apel, *Transformation der Philosophie*.

light of the recognition of praxeological constraints on the structure of knowledge these various rationalist endeavors become systematically integrated into one, unified body of rationalist philosophy.

In explicitly understanding knowledge as displayed in argumentation as a peculiar category of action, it becomes clear immediately why the perennial rationalist claim that the laws of logic—beginning here with the most fundamental ones, i.e., of propositional logic and of Junctors ("and," "or," "if-then," "not") and Quantors ("there is," "all," "some")—are a priori true propositions about reality and not mere verbal stipulations regarding the transformation rules of arbitrarily chosen signs, as empiricist-formalists would have it, is indeed correct. They are as much laws of thinking as of reality, because they are laws that have their ultimate foundation in action and could not be undone by any actor. In each and every action, an actor identifies some specific situation and categorizes it one way rather than another in order to be able to make a choice. It is this which ultimately explains the structure of even the most elementary propositions (like "Socrates is a man") consisting of a proper name or some identifying expression for the naming or identifying of something, and a predicate to assert or deny some specific property of the named or identified object; and which explains the cornerstones of logic: the laws of identity and contradiction. And it is this universal feature of action and choosing which also explains our understanding of the categories "there is," "all" and, by implication, "some," as well as "and," "or," "if-then" and "not."[58] One can *say*,

[58]On rationalist interpretations of logic see Blanshard, *Reason and Analysis*, chapters 6, 10; P. Lorenzen, *Einführung in die operative Logik und Mathematik* (Frankfurt/M.: Akademische Verlagsgesellschaft, 1970); K. Lorenz, *Elemente der Sprachkritik* (Frankfurt/M.: Suhrkamp, 1970); idem, "Die dialogische Rechtfertigung der effektiven Logik," in: F. Kambartel and J. Mittelstrass, eds., *Zum normativen Fundament der Wissenschaft* (Frankfurt/M.: Athenäum, 1973).

of course, that something can be "a" and "non-a" at the same time, or that "and" means this rather than something else. But one cannot *undo* the law of contradiction; and one cannot undo the real definition of "and." For simply by virtue of acting with a physical body in physical space we invariably affirm the law of contradiction and invariably display our true constructive knowledge of the meaning of "and" and "or."

Similarly, the ultimate reason for arithmetic's being an a priori and yet empirical discipline, as rationalists have

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On the propositional character of language and experience, in particular, see W. Kamlah and P. Lorenzen, *Logische Propädeutik,* chapter 1; P. Lorenzen, *Normative Logic and Ethics,* chapter 1. Lorenzen writes: "I call a usage a convention if I know of another usage which I could accept instead. . . . However, I do not know of another behavior which could replace the use of elementary sentences. If I did not accept proper names and predicators, I would not know how to speak at all. . . . Each proper name is a convention . . . but to use proper names at all is not a convention: it is a unique pattern of linguistic behavior. Therefore, I am going to call it 'logical'. The same is true with predicators. Each predicator is a convention. This is shown by the existence of more than one natural language. But all languages use predicators" (ibid., p. 16). See also J. Mittelstrass, "Die Wiederkehr des Gleichen," *Ratio* (1966).

On the law of identity and contradiction, in particular, see B. Blanshard, *Reason and Analysis*, pp. 276ff, 423ff.

On a critical evaluation of 3- or more-valued logics as either meaningless symbolic formalisms or as logically presupposing an understanding of the traditional two-valued logic see W. Stegmüller, *Hauptströmungen der Gegenwartsphilosophie* vol. 2 (Stuttgart: Kröner, 1975), pp. 182–91; B. Blanshard, *Reason and Analysis*, pp. 269–75. Regarding, for instance, the many-valued or open-textured logic, proposed by F. Waismann, Blanshard notes: "We can only agree with Dr. Waismann—and with Hegel—that the black-and-white distinctions of formal logic are quite inadequate to living thought. But why should one say, as Dr. Waismann does, that in adopting a more differentiated logic one is adopting an alternative system which is incompatible with black-and-white logic? What he has actually done is to recognize a number of gradations *within* the older meaning of the word 'not'. We do not doubt that such gradations are there, and indeed as many more as he cares to distinguish. But a refinement of the older logic is not an abandonment of it. It is still true that the colour I saw yesterday was either a determinate shade of yellow or not, even though the 'not' may cover a multitude of approximations, and even though I shall never know which was the shade I saw" (ibid., pp. 273–74).

always understood it, now also becomes discernible. The prevailing empiricist-formalist orthodoxy conceives of arithmetic as the manipulation of arbitrarily defined signs according to arbitrarily stipulated transformation rules, and thus as entirely void of any empirical meaning. For this view, which evidently makes arithmetic nothing but play, however skillful it might be, the successful applicability of arithmetic in physics is an intellectual embarrassment. Indeed, empiricist-formalists would have to explain away this fact as simply being a miraculous event. That it is no miracle, however, becomes apparent once the praxeological or—to use here the terminology of the most notable rationalist philosopher-mathematician Paul Lorenzen and his school—the operative or constructivist character of arithmetic is understood. Arithmetic and its character as an a priori–synthetic intellectual discipline is rooted in our understanding of repetition, the repetition of action. More precisely, it rests on our understanding the meaning of "do this—and do this again, starting from the present result." And arithmetic then deals with real things: with constructed or constructively identified units of something. It demonstrates what relations are to hold between such units because of the fact that they are constructed according to the rule of repetition. As Paul Lorenzen has demonstrated in detail, not all of what presently poses as mathematics can be constructively founded—and those parts, then, should of course be recognized for what they are: epistemologically worthless symbolic games. But all of the mathematical tools that are actually employed in physics, i.e., the tools of classical analysis, can be constructively derived. They are not empirically void symbolisms, but true propositions about reality. They apply to everything insofar as it consists of one or more distinct units, and insofar as these units are constructed or identified

as units by a procedure of "do it again, construct or identify another unit by repeating the previous operation."[59] Again, one can *say*, of course, that 2 plus 2 is sometimes 4 but sometimes 2 or 5 units, and in observational reality, for lions plus lambs or for rabbits, this may even be true,[60] but in the reality of action, in identifying or constructing those units in repetitive operations, the truth that 2 plus 2 is never anything but 4 could not possibly be undone.

Further, the old rationalist claims that geometry, that is, Euclidean geometry is a priori and yet incorporates empirical knowledge about space becomes supported, too, in view of our insight into the praxeological constraints on knowledge. Since the discovery of non-Euclidean geometries and

[59]On a rationalist interpretation of arithmetic see Blanshard, *Reason and Analysis,* pp. 427–31; on the constructivist foundation of arithmetic, in particular, see Lorenzen, *Einführung in die operative Logik und Mathematik*; idem, *Methodisches Denken*, chapters 6, 7; idem, *Normative Logic and Ethics,* chapter 4; on the constructivist foundation of classical analysis see P. Lorenzen, *Differential und Integral: Eine konstruktive Einführung in die klassische Analysis* (Frankfurt/M.: Akademische Verlagsgesellschaft, 1965); for a brilliant general critique of mathematical formalism see Kambartel, *Erfahrung und Struktur*, chapter 6, esp. pp. 236–42; on the irrelevance of the famous Gödel-theorem for a constructively founded arithmetic see P. Lorenzen, *Metamathematik* (Mannheim: Bibliographisches Institut, 1962); also Ch. Thiel, "Das Begründungsproblem der Mathematik und die Philosophie," in F. Kambartel and J. Mittelstrass, eds., *Zum normativen Fundament der Wissenschaft*, esp. pp. 99–101. K. Gödel's proof—which, as a proof, incidentally supports rather than undermines the rationalist claim of the possibility of *a priori* knowledge—only demonstrates that the early formalist Hilbert program cannot be successfully carried through, because in order to demonstrate the consistency of certain axiomatic theories one must have a metatheory with even stronger means than those formalized in the object-theory itself. Interestingly enough, the difficulties of the formalist program had led the old Hilbert already several years before Gödel's proof of 1931 to recognize the necessity of reintroducing a substantive interpretation of mathematics à la Kant, which would give its axioms a foundation and justification that was entirely independent of any formal consistency proofs. See Kambartel, *Erfahrung und Struktur,* pp. 185–87.

[60]Examples of this kind are used by Karl Popper in order to "refute" the rationalist idea of rules of arithmetic being laws of reality. See Karl Popper, *Conjectures and Refutations* (London: Routledge and Kegan Paul, 1969), p. 211.

in particular since Einstein's relativistic theory of gravitation, the prevailing position regarding geometry is once again empiricist and formalist. It conceives of geometry as either being part of empirical, aposteriori physics, or as being empirically meaningless formalisms. Yet that geometry is either mere play, or forever subject to empirical testing seems to be irreconcilable with the fact that Euclidean geometry is the foundation of engineering and construction, and that nobody there ever thinks of such propositions as only hypothetically true.[61] Recognizing knowledge as praxeologically constrained explains why the empiricist-formalist view is incorrect and why the empirical success of Euclidean geometry is no mere accident. Spatial knowledge is also included in the meaning of action. Action is the employment of a physical body in space. Without acting there could be no knowledge of spatial relations, and no measurement. Measuring is relating something to a standard. Without standards, there is no measurement; and there is no measurement, then, which could ever falsify the standard. Evidently, the ultimate standard must be provided by the norms underlying the construction of bodily movements in space and the construction of measurement instruments by means of one's body and in accordance with the principles of spatial constructions embodied in it. Euclidean geometry, as again Paul Lorenzen in particular has explained, is no more and no less than the reconstruction of the ideal norms underlying our construction of such homogeneous basic forms as points, lines, planes and distances, which are in a more or less perfect but always perfectible way incorporated or realized in even our most primitive instruments of spatial measurements such as a measuring rod. Naturally,

[61] See on this also Mises, *The Ultimate Foundation of Economic Science,* pp. 12–14.

these norms and normative implications cannot be falsified by the result of any empirical measurement. On the contrary, their cognitive validity is substantiated by the fact that it is they which make physical measurements in space possible. Any actual measurement must already presuppose the validity of the norms leading to the construction of one's measurement standards. It is in this sense that geometry is an a priori science; and that it must simultaneously be regarded as an empirically meaningful discipline, because it is not only the very precondition for any empirical spatial description, it is also the precondition for any active orientation in space.[62]

In view of the recognition of the praxeological character of knowledge, these insights regarding the nature of logic, arithmetic and geometry become integrated and embedded into a system of epistemological dualism.[63] The ultimate

[62]On the aprioristic character of Euclidean geometry see Lorenzen, *Methodisches Denken*, chapters 8 and 9; idem, *Normative Logic and Ethics*, chapter 5; H. Dingler, *Die Grundlagen der Geometrie* (Stuttgart: Enke, 1933); on Euclidean geometry as a necessary presupposition of objective, i.e., intersubjectively communicable, measurements and in particular of any empirical verification of non-Euclidean geometries (after all, the lenses of the telescopes which one uses to confirm Einstein's theory regarding the non-Euclidean structure of physical space must themselves be constructed according to Euclidean principles) see Kambartel, *Erfahrung und Struktur*, pp. 132–33; P. Janich, *Die Protophysik der Zeit* (Mannheim: Bibliographisches Institut, 1969), pp. 45–50; idem, "Eindeutigkeit, Konsistenz und methodische Ordnung," in F. Kambartel and J. Mittelstrass, eds., *Zum normativen Fundament der Wissenschaft*.

Following the lead of Hugo Dingler, Paul Lorenzen and other members of the so-called Erlangen school have worked out a system of protophysics, which contains all aprioristic presuppositions of empirical physics, including, apart from geometry, also chronometry and hylometry (i.e., classical mechanics without gravitation, or "rational" mechanics). "Geometry, chronometry and hylometry are a-priori theories which make empirical measurements of space, time and materia 'possible'. They have to be established before physics in the modern sense of an empirical science, with hypothetical fields of forces, can begin. Therefore, I should like to call these disciplines by a common name: protophysics." Lorenzen, *Normative Logic and Ethics*, p. 60.

[63]On the fundamental nature of epistemological dualism see also Mises, *Theory and History*, pp. 1–2.

justification for this dualist position, i.e., the claim that there are two realms of intellectual inquiry that can be understood a priori as requiring categorically distinct methods of treatment and analysis, also lies in the praxeological nature of knowledge. It explains why we must differentiate between a realm of objects which is categorized causally and a realm that is categorized teleologically instead.

I have already briefly indicated during my discussion of praxeology that *causality* is a category of action. The idea of causality that there are constant, time-invariantly operating causes which allow one to project past observations regarding the relation of events into the future is something (as empiricism since Hume has noticed) which has no observational basis whatsoever. One cannot observe the connecting link between observations. Even if one could, such an observation would not prove it to be a time-invariant connection. Instead, the principle of causality must be understood as implied in our understanding of action as an interference with the observational world, made with the intent of diverting the "natural" course of events in order to produce a different, prefered state of affairs, i.e., of making things happen that otherwise would not happen, and thus presupposes the notion of events which are related to each other through time-invariantly operating causes. An actor might err with respect to his particular assumptions about which earlier interference produced which later result. But successful or not, any action, changed or unchanged in light of its previous success or failure, presupposes that there are constantly connected events *as such*, even if no particular cause for any particular event can ever be preknown to any actor. Without such an assumption it would be impossible to ever categorize two or more observational experiences as falsifying or confirming each other rather than interpreting them

as logically incommensurable events. Only because the existence of time-invariantly operating causes as such is already assumed can one ever encounter particular instances of confirming or disconfirming observational evidence, or can there ever be an actor who can learn anything from past experience by classifying his actions as successful and confirming some previous knowledge, or unsuccessful and disconfirming it. It is simply by virtue of acting and distinguishing between successes and failures that the a priori validity of the principle of causality is established; even if one tried, one could not successfully refute its validity.[64]

In so understanding causality as a necessary presupposition of action, it is also immediately implied that its range of applicability must then be delineated a priori from that of the category of teleology. Indeed, both categories are strictly exclusive and complementary. Action presupposes a causally structured observational reality, but the reality of action which we can understand as requiring such structure, is not itself causally structured. Instead, it is a reality that must be categorized teleologically, as purpose-directed, meaningful behavior. In fact, one can neither deny nor undo

[64]On the aprioristic character of the category of causality see Mises, *Human Action*, chapter 1; Hoppe, *Kritik der kausalwissenschaftlichen Sozialforschung;* idem, "Is Research Based on Causal Scientic Principles Possible in the Social Sciences?"; on the causality principle as a necessary presupposition in particular also of the indeterminacy principle of quantum physics and the fundamental misconception involved in interpreting the Heisenberg-principle as invalidating the causality principle see Kambartel, *Erfahrung und Struktur,* pp. 138–40; also Hoppe, "In Defense of Extreme Rationalism," footnote 36. In fact, it is precisely the indisputable praxeological fact that separate measurement acts can only be performed sequentially which explains the very possibility of irreducibly probabilistic–rather than deterministic–predictions as they are characteristic of quantum physics; and yet, in order to perform any experiments in the field of quantum mechanics, and in particular to repeat two or more experiments and state this to be the case, the validity of the causality principle must evidently already be presupposed.

the view that there are two categorically different realms of phenomena, since such attempts would have to presuppose causally related events qua actions that take place within observational reality, as well as the existence of intentionally rather than causally related phenomena in order to interpret such observational events as meaning to deny something. Neither a causal, nor a teleological monism could be justified without running into an open contradiction: physically stating either position, and claiming to say something meaningful in so doing, the case is in fact made for an indisputable complementarity of both, a realm of causal *and* teleological phenomena.[65]

Everything which is not an action must necessarily be categorized causally. There is nothing to be known a priori about this range of phenomena except that it is structured causally—and that it is structured according to the categories of propositional logic, arithmetic and geometry.[66] Everything else there is to know about this range of phenomena must be derived from contingent observations and thus represents aposteriori knowledge. In particular, all knowledge about two or more specific observational events being causally related or not is aposteriori knowledge. Obviously, the range of phenomena described in this way coincides (more or less) with what is usually considered to be the field of the empirical natural sciences.

[65]On the necessary complementarity of the categories of causality and teleology see Mises, *Human Action*, p. 25; idem, *The Ultimate Foundation of Economic Science,* pp. 6–8; Hoppe, *Kritik der kausalwissenschaftlichen Sozialforschung*; idem, "Is Research Based on Causal Scientific Principles Possible in the Social Sciences?"; also G. v. Wright, *Norm and Action* (London: Routledge and Kegan Paul, 1963); idem, *Explanation and Understanding* (Ithaca, N.Y.: Cornell University Press, 1971); K. O. Apel, *Die Erklären: Verstehen Kontroverse in transzendental-pragmatischer Sicht* (Frankfurt/M.: Suhrkamp, 1979).

[66]More precisely still: it is structured according to the categories of logic, arithmetic, and protophysics (including geometry). See note 62 above.

In contrast, everything that is an action must be categorized teleologically. This realm of phenomena is constrained by the laws of logic and arithmetic, too. But it is not constrained by the laws of geometry as incorporated in our instruments of measuring spatially extending objects, because actions do not exist apart from subjective interpretations of observable things; and so they must be identified by reflective understanding rather than spatial measurements. Nor are actions causally connected events, but events that are connected meaningfully within a categorical framework of means and ends.

One can *not* know a priori what the *specific* values, choices and costs of some actor are or will be. This would fall entirely into the province of empirical, aposteriori knowledge. In fact, which particular action an actor is going to undertake would depend on his knowledge regarding the observational reality and/or the reality of other actors' actions. And it would be manifestly impossible to conceive of such states of knowledge as predictable on the basis of time-invariantly operating causes. A knowing actor cannot predict his future knowledge before he has actually acquired it, and he demonstrates, simply by virtue of distinguishing between successful and unsuccessful predictions, that he must conceive of himself as capable of learning from unknown experiences in as yet unknown ways. Thus, knowledge regarding the particular course of actions is only aposteriori. And since such knowledge would have to include the actor's own knowledge—as a necessary ingredient of every action whose every change can have an influence on a particular action being chosen—teleological knowledge must also necessarily be reconstructive, or historical knowledge. It would only provide ex-post explanations which would have no systematic bearing on the prediction of

future actions, because, in principle, future states of knowledge could never be predicted on the basis of constantly operating empirical causes. Obviously, such a delineation of a branch of aposteriori and reconstructive science of action fits the usual description of such disciplines as history and sociology.[67]

What *is* known to be true a priori regarding the field of action, and what would then have to constrain any historical or sociological explanation is this: For one thing, any such explanation, which essentially would have to reconstruct an actor's knowledge, would invariably have to be a reconstruction in terms of knowledge of ends and means, of choices and costs, of profits and losses and so on. And secondly, since these are evidently the categories of praxeology as conceived of by Mises, any such explanation must also be constrained by the laws of praxeology. And since these laws are, as I have already explained, a priori laws, they must also operate as logical constraints on any future course of action. They are valid independent of any specific state of knowledge that an actor might have acquired, simply by virtue of the fact that whatever this state might be, it must be described in terms of action categories. And as referring to actions as such, the laws of praxeology must then be coextensive with all the predictive knowledge there can be in the field of the science of action. In fact, ignoring for the moment that the status of geometry as an a priori science was ultimately grounded in our understanding of action and in so far praxeology would have to be regarded as the more fundamental cognitive discipline, the peculiar role of

[67]On the logic of history and sociology as reconstructive disciplines see in addition to the works of Mises mentioned at the outset of this chapter Hoppe, *Kritik der kausalwissenschaftlichen Sozialforschung*, chapter 2.

praxeology proper within the entire system of epistemology can be understood as somewhat analogous to that of geometry. Praxeology is for the field of action what Euclidean geometry is for the field of observations (non-actions). As the geometry incorporated in our measuring instruments constrains the spatial structure of observational reality, so praxeology constrains the range of things that can possibly be experienced in the field of actions.[68]

IV

In so establishing the place of praxeology proper, I have come full circle in outlining the system of rationalist philosophy as ultimately grounded in the action axiom. It has been my goal here to reaffirm Mises's claim that economics is praxeology; that the case for praxeology is an indisputable one; and that empiricist or historicist-hermeneuticist interpretations of economics are self-contradictory doctrines. And it has been my objective to indicate that the Misesian insight into the nature of praxeology also provides the very foundation on which traditional rationalist philosophy can be successfully reconstructed, and systematically integrated.

For the rationalist philosopher this would seem to imply that he should take account of praxeology. For it is precisely the insight into the praxeological constraints on the structure of knowledge which provides the missing link in his intellectual defense against skepticism and relativism. For

[68]On the categorical distinctiveness of praxeological theory and history and sociology and the logical constraints that praxeology imposes on historical and sociological research as well as on social and economic predictions see Mises, *Human Action*, pp. 51–59, 117–18; Hoppe, "In Defense of Extreme Rationalism."

the economist in the tradition of Mises it means, I claim, that he should explicitly come to recognize his place within the wider tradition of western rationalism; and that he should learn to incorporate the insights provided by this tradition in order to construct an even more impressive and profound case for praxeology and Austrian economics than the one made by the great Mises himself.

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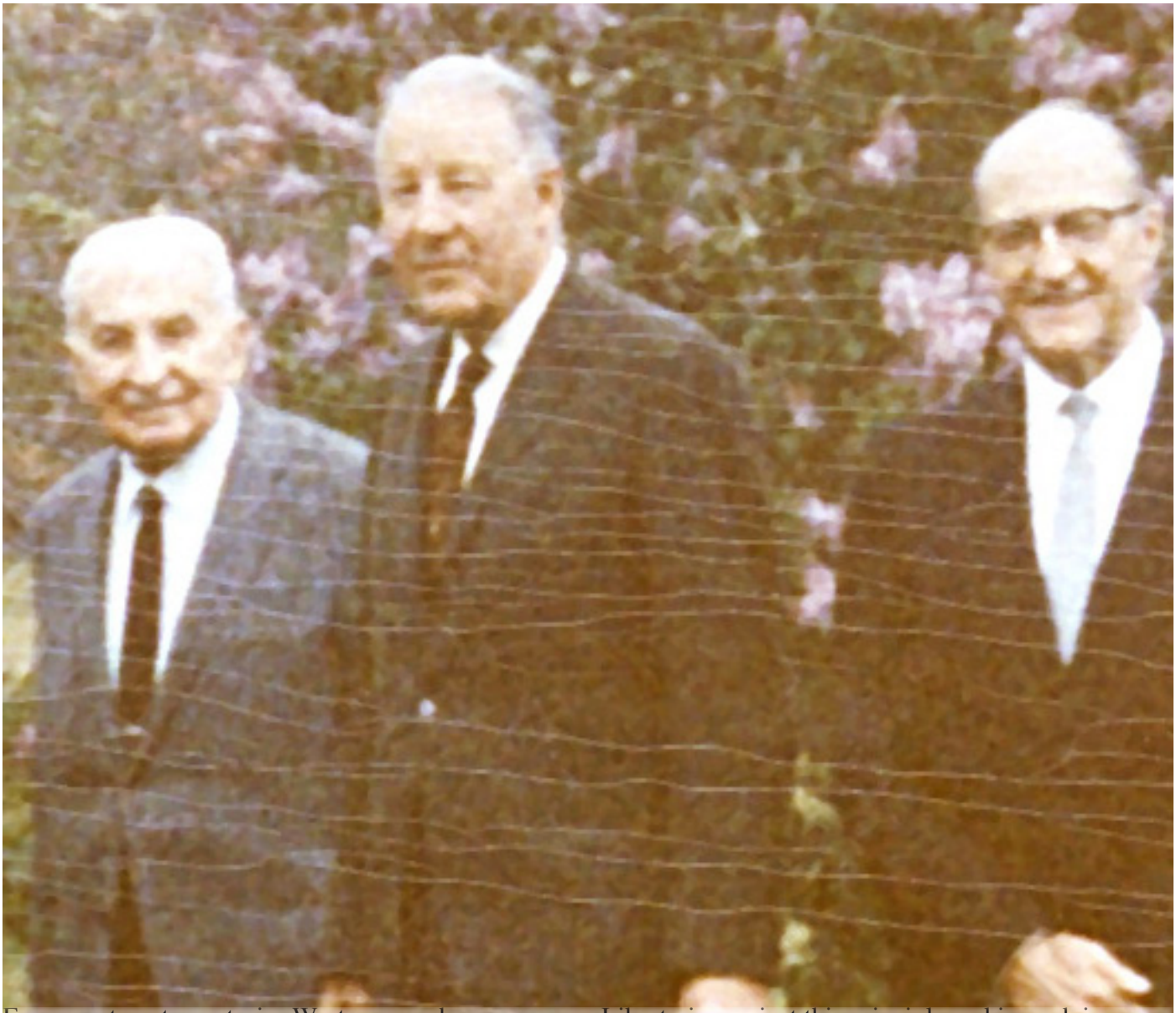
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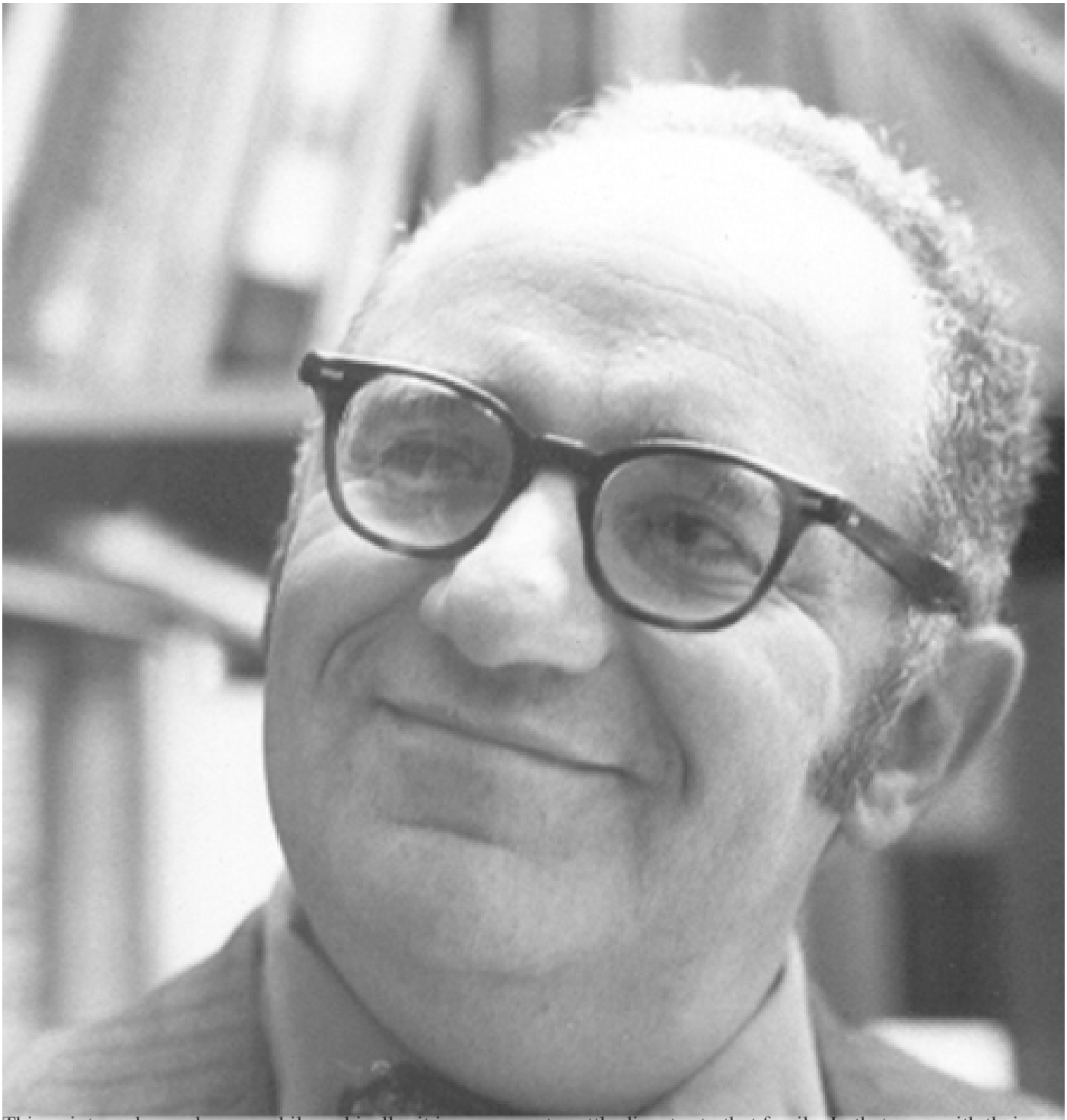
For some twenty centuries Western man has come to accept the Aristotelian theory that the sensible position is between any two extremes, known politically today as the "middle-of-the-road" position. Now, if libertarians use the terms "left" and "right," they announce themselves to be extreme right by virtue of being extremely distant in their beliefs from communism. But "right" has been successfully identified with fascism. Therefore, more and more persons are led to believe that the sound position is somewhere between communism and fascism, both spelling authoritarianism.

The golden-mean theory cannot properly be applied indiscriminately. For instance, it is sound enough when deciding between no food at all on the one hand or gluttony on the other hand. But it is patently unsound when deciding between stealing nothing or stealing $1,000. The golden mean would commend stealing $500. Thus, the golden mean has no more soundness when applied to communism and fascism (two names for the same thing) than it does to two amounts in theft. […]

Libertarians reject this principle and in so doing are not to the right or left of authoritarians. They, as the human spirit they would free, ascend—are above—this degradation. Their position, if directional analogies are to be used, is up—in the sense that vapor from a muckheap rises to a wholesome atmosphere. If the idea of extremity is to be applied to a libertarian, let it be based on how extremely well he has shed himself of authoritarian beliefs.

Establish this concept of emerging, of freeing — which is the meaning of libertarianism—and the golden – mean or "middle-of-the-road" theory becomes inapplicable. For there can be no halfway position between zero and infinity. It is absurd to suggest that there can be.

— Leonard E. Read, Neither Left nor Right.



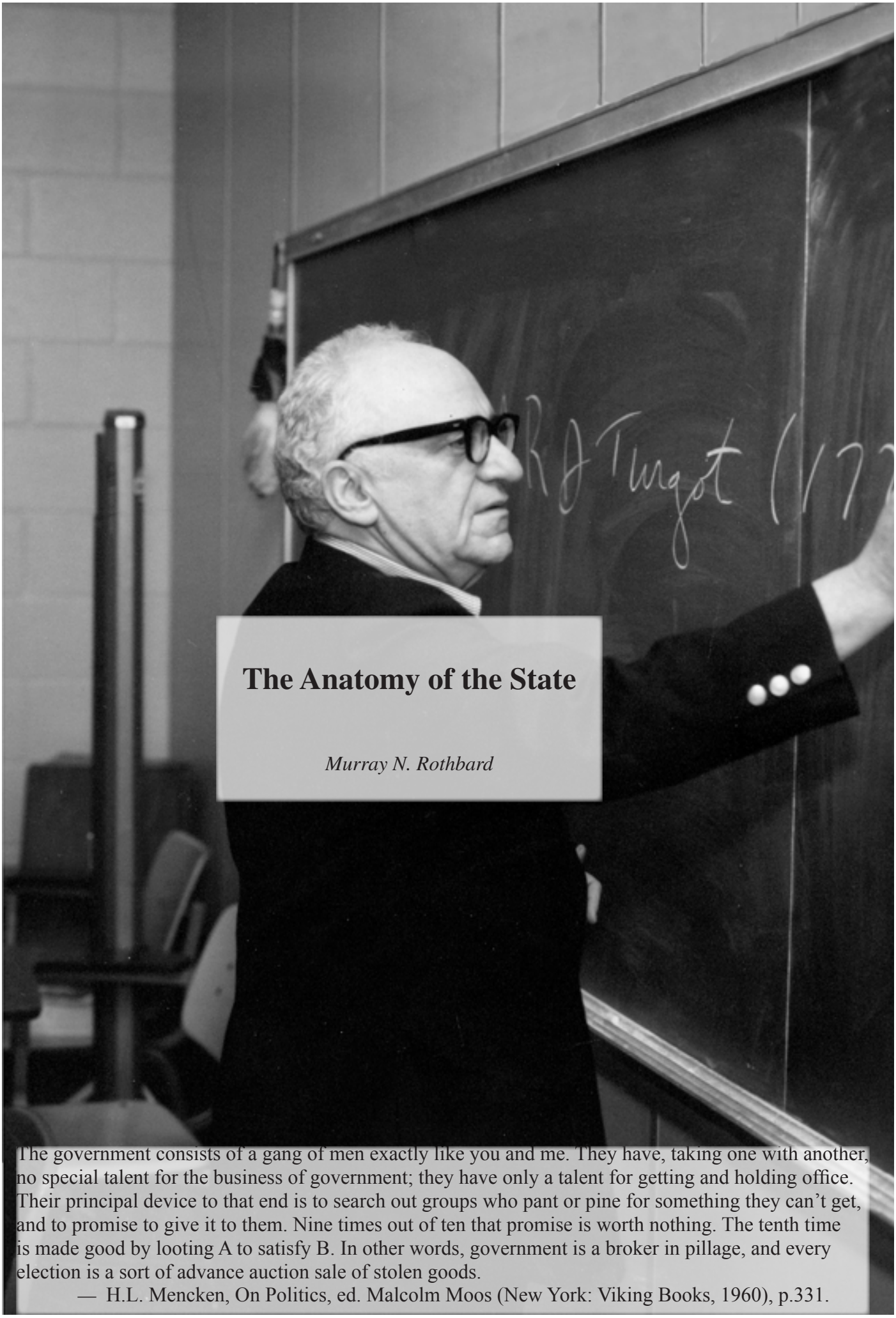
This point can be made more philosophically: it is illegitimate to compare the merits of [a free society] and statism by starting with the present system as the implicit given and then critically examining only the [private law] alternative. What we must do is to begin at the zero point and then critically examine both suggested alternatives.

Suppose, for example, that we were all suddenly dropped down on the earth de novo and that we were all then confronted with the question of what societal arrangements to adopt.

And suppose then that someone suggested: "We are all bound to suffer from those of us who wish to aggress against their fellow men. Let us then solve this problem of crime by handing all of our weapons to the Jones family, over there, by giving all of our ultimate power to settle disputes to that family. In that way, with their monopoly of coercion and of ultimate decision making, the Jones family will be able to protect each of us from each other."

I submit that this proposal would get very short shrift, except perhaps from the Jones family themselves. And yet this is precisely the common argument for the existence of the state. When we start from the zero point, as in the case of the Jones family, the question of "who will guard the guardians?" becomes not simply an abiding lacuna in the theory of the state but an overwhelming barrier to its existence.

— Murray N. Rothbard, Society Without A State.



The Anatomy of the State

Murray N. Rothbard

The government consists of a gang of men exactly like you and me. They have, taking one with another, no special talent for the business of government; they have only a talent for getting and holding office. Their principal device to that end is to search out groups who pant or pine for something they can't get, and to promise to give it to them. Nine times out of ten that promise is worth nothing. The tenth time is made good by looting A to satisfy B. In other words, government is a broker in pillage, and every election is a sort of advance auction sale of stolen goods.

— H.L. Mencken, On Politics, ed. Malcolm Moos (New York: Viking Books, 1960), p.331.

What the State Is Not

The State is almost universally considered an institution of social service. Some theorists venerate the State as the apotheosis of society; others regard it as an amiable, though often inefficient, organization for achieving social ends; but almost all regard it as a necessary means for achieving the goals of mankind, a means to be ranged against the "private sector" and often winning in this competition of resources. With the rise of democracy, the identification of the State with society has been redoubled, until it is common to hear sentiments expressed which violate virtually every tenet of reason and common sense such as, "we are the government." The useful collective term "we" has enabled an ideological camouflage to be thrown over the reality of political life. If "we are the government," then anything a government does to an individual is not only just and untyrannical but also "voluntary" on the part of the individual concerned. If the government has incurred a huge public debt which must be paid by taxing one group for the benefit of another, this reality of burden is obscured by saying that "we owe it to ourselves"; if the government conscripts a man, or throws him into jail for dissident opinion, then he is "doing it to himself" and, therefore, nothing untoward has occurred. Under this reasoning, any Jews murdered by the Nazi government were *not* murdered; instead, they must have "committed suicide," since they *were* the government (which was democratically chosen), and, therefore, anything the government did to them was voluntary on their part. One would not think it necessary to belabor this point, and yet the overwhelming bulk of the people hold this fallacy to a greater or lesser degree.

We must, therefore, emphasize that "we" are *not* the government; the government is *not* "us." The government does not in any accurate sense "represent" the majority of the people.[1] But, even if it did, even if 70 percent of the people decided to murder the remaining 30 percent, this would still be murder and would not be voluntary suicide on the part of the slaughtered minority.[2] No organicist metaphor, no irrelevant bromide that "we are all part of one another," must be permitted to obscure this basic fact.

If, then, the State is not "us," if it is not "the human family" getting together to decide mutual problems, if it is not a lodge meeting or country club, what is it? Briefly, the State is that organization in society which attempts to maintain a monopoly of the use of force and violence in a given territorial area; in particular, it is the only organization in society that obtains its revenue not by voluntary contribution or payment for services rendered but by coercion. While other individuals or institutions obtain their income by production of goods and services and by the peaceful and voluntary sale of these goods and services to others, the State obtains its revenue by the use of compulsion; that is, by the use and the threat of the

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1 We cannot, in this chapter, develop the many problems and fallacies of "democracy." Suffice it to say here that an individual's true agent or "representative" is always subject to that individual's orders, can be dismissed at any time and cannot act contrary to the interests or wishes of his principal. Clearly, the "representative" in a democracy can never fulfill such agency functions, the only ones consonant with a libertarian society.

2 Social democrats often retort that democracy – majority choice of rulers – logically implies that the majority must leave certain freedoms to the minority, for the minority might one day become the majority. Apart from other flaws, this argument obviously does not hold where the minority cannot become the majority, for example, when the minority is of a different racial or ethnic group from the majority.

jailhouse and the bayonet.[3] Having used force and violence to obtain its revenue, the State generally goes on to regulate and dictate the other actions of its individual subjects. One would think that simple observation of all States through history and over the globe would be proof enough of this assertion; but the miasma of myth has lain so long over State activity that elaboration is necessary.

What the State Is

Man is born naked into the world, and needing to use his mind to learn how to take the resources given him by nature, and to transform them (for example, by investment in "capital") into shapes and forms and places where the resources can be used for the satisfaction of his wants and the advancement of his standard of living. The only way by which man can do this is by the use of his mind and energy to transform resources ("production") and to exchange these products for products created by others. Man has found that, through the process of voluntary, mutual exchange, the productivity and hence the living standards of all participants in exchange may increase enormously. The only "natural" course for man to survive and to attain wealth, therefore, is by using his mind and energy to engage in the production-and-exchange process. He does this, first, by finding natural resources, and then by transforming them (by "mixing his labor" with them, as Locke puts it), to make them his individual *property*, and then by exchanging this property for the similarly obtained property of others. The social path dictated by the requirements of man's nature, therefore, is the path of "property rights" and the "free market" of gift or exchange of such rights. Through this path, men have learned how to avoid the "jungle" methods of fighting over scarce resources so that A can only acquire them at the expense of B and, instead, to multiply those resources enormously in peaceful and harmonious production and exchange.

The great German sociologist Franz Oppenheimer pointed out that there are two mutually exclusive ways of acquiring wealth; one, the above way of production and exchange, he called the "economic means." The other way is simpler in that it does not require productivity; it is the way of seizure of another's goods or services by the use of force and violence. This is the method of one-sided confiscation, of theft of the property of others. This is the method which Oppenheimer termed "the political means" to wealth. It should be clear that the peaceful use of reason and energy in production is the "natural" path for man: the means for his survival and prosperity on this earth. It should be equally clear that the coercive, exploitative means is contrary to natural law; it is parasitic, for instead of adding to production, it subtracts from it. The "political means" siphons production off to a parasitic and destructive individual or group; and this siphoning not only subtracts from the number producing, but also lowers the producer's incentive to produce beyond his own subsistence. In the long run, the robber destroys his own subsistence by dwindling or eliminating the

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3 Joseph A. Schumpeter, Capitalism, Socialism, and Democracy (New York: Harper and Bros., 1942), p. 198. The friction or antagonism between the private and the public sphere was intensified from the first by the fact that . . . the State has been living on a revenue which was being produced in the private sphere for private purposes and had to be deflected from these purposes by political force. The theory which construes taxes on the analogy of club dues or of the purchase of the service of, say, a doctor only proves how far removed this part of the social sciences is from scientific habits of mind.

Also see Murray N. Rothbard, "The Fallacy of the 'Public Sector,'" New Individualist Review (Summer, 1961): pp. 3ff.

source of his own supply. But not only that; even in the short run, the predator is acting contrary to his own true nature as a man.

We are now in a position to answer more fully the question: what is the *State*? The State, in the words of Oppenheimer, is the "organization of the political means"; it is the systematization of the predatory process over a given territory.[4] For crime, at best, is sporadic and uncertain; the parasitism is ephemeral, and the coercive, parasitic lifeline may be cut off at any time by the resistance of the victims. The State provides a legal, orderly, systematic channel for the predation of private property; it renders certain, secure, and relatively "peaceful" the lifeline of the parasitic caste in society.[5] Since production must always precede predation, the free market is anterior to the State. The State has never been created by a "social contract"; it has always been born in conquest and exploitation. The classic paradigm was a conquering tribe pausing in its time-honored method of looting and murdering a conquered tribe, to realize that the time-span of plunder would be longer and more secure, and the situation more pleasant, if the conquered tribe were allowed to live and produce, with the conquerors settling among them as rulers exacting a steady annual tribute.[6] One method of the birth of a State may be illustrated as follows: in the hills of southern "Ruritania," a bandit group manages to obtain physical control over the territory, and finally the bandit chieftain proclaims himself "King of the sovereign and independent government of South Ruritania"; and, if he and his men have the force to maintain this rule for a while, lo and behold! a new State has joined the "family of nations," and the former bandit leaders have been transformed into the lawful nobility of the realm.

How the State Preserves Itself

Once a State has been established, the problem of the ruling group or "caste" is how to

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4 Franz Oppenheimer, The State (New York: Vanguard Press, 1926) pp. 24–27:

There are two fundamentally opposed means whereby man, requiring sustenance, is impelled to obtain the necessary means for satisfying his desires. These are work and robbery, one's own labor and the forcible appropriation of the labor of others. . . . I propose in the following discussion to call one's own labor and the equivalent exchange of one's own labor for the labor of others, the "economic means" for the satisfaction of need while the unrequited appropriation of the labor of others will be called the "political means". . . . The State is an organization of the political means. No State, therefore, can come into being until the economic means has created a definite number of objects for the satisfaction of needs, which objects may be taken away or appropriated by warlike robbery.

5 Albert Jay Nock wrote vividly that:

the State claims and exercises the monopoly of crime. . . . It forbids private murder, but itself organizes murder on a colossal scale. It punishes private theft, but itself lays unscrupulous hands on anything it wants, whether the property of citizen or of alien.

Nock, On Doing the Right Thing, and Other Essays (New York: Harper and Bros., 1929), p. 143; quoted in Jack Schwartzman, "Albert Jay Nock – A Superfluous Man," Faith and Freedom (December, 1953): p. 11.

6 Oppenheimer, The State, p. 15:

What, then, is the State as a sociological concept? The State, completely in its genesis . . . is a social institution, forced by a victorious group of men on a defeated group, with the sole purpose of regulating the dominion of the victorious group of men on a defeated group, and securing itself against revolt from within and attacks from abroad. Teleologically, this dominion had no other purpose than the economic exploitation of the vanquished by the victors.

And de Jouvenel has written: "the State is in essence the result of the successes achieved by a band of brigands who superimpose themselves on small, distinct societies." Bertrand de Jouvenel, On Power (New York: Viking Press, 1949), pp. 100–01.

maintain their rule.[7] While force is their *modus operandi*, their basic and long-run problem is ideological. For in order to continue in office, *any* government (not simply a "democratic" government) must have the support of the majority of its subjects. This support, it must be noted, need not be active enthusiasm; it may well be passive resignation as if to an inevitable law of nature. But support in the sense of acceptance of some sort it must be; else the minority of State rulers would eventually be outweighed by the active resistance of the majority of the public. Since predation must be supported out of the surplus of production, it is necessarily true that the class constituting the State – the full-time bureaucracy (and nobility) – must be a rather small minority in the land, although it may, of course, purchase allies among important groups in the population. Therefore, the chief task of the rulers is always to secure the active or resigned acceptance of the majority of the citizens.[8, 9]

Of course, one method of securing support is through the creation of vested economic interests. Therefore, the King alone cannot rule; he must have a sizable group of followers who enjoy the prerequisites of rule, for example, the members of the State apparatus, such as the full-time bureaucracy or the established nobility.[10] But this still secures only a minority of eager supporters, and even the essential purchasing of support by subsidies and other grants of privilege still does not obtain the consent of the majority. For this essential acceptance, the majority must be persuaded by *ideology* that their government is good, wise and, at least, inevitable, and certainly better than other conceivable alternatives. Promoting this ideology among the people is the vital social task of the "intellectuals." For the masses of men do not create their own ideas, or indeed think through these ideas independently; they follow passively the ideas adopted and disseminated by the body of intellectuals. The intellectuals are, therefore, the "opinion-molders" in society. And since it is precisely a molding of opinion that the State most desperately needs, the basis for age-old alliance between the State and the intellectuals becomes clear.

It is evident that the State needs the intellectuals; it is not so evident why intellectuals need the State. Put simply, we may state that the intellectual's livelihood in the free market is never too secure; for the intellectual must depend on the values and choices of the masses of his fellow men, and it is precisely characteristic of the masses that they are generally uninterested in intellectual matters. The State, on the other hand, is willing to offer the intellectuals a secure and permanent berth in the State apparatus; and thus a secure income and the panoply of prestige. For the intellectuals will be handsomely rewarded for the important function they perform for the State rulers, of which group they now become a

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7 On the crucial distinction between "caste," a group with privileges or burdens coercively granted or imposed by the State and the Marxian concept of "class" in society, see Ludwig von Mises, Theory and History (New Haven, Conn.: Yale University Press, 1957), pp. 112ff.

8 Such acceptance does not, of course, imply that the State rule has become "voluntary"; for even if the majority support be active and eager, this support is not unanimous by every individual.

9 That every government, no matter how "dictatorial" over individuals, must secure such support has been demonstrated by such acute political theorists as Étienne de La Boétie, David Hume, and Ludwig von Mises. Thus, cf. David Hume, "Of the First Principles of Government," in Essays, Literary, Moral and Political (London: Ward, Locke, and Taylor, n.d.), p. 23; Étienne de La Boétie, Anti-Dictator (New York: Columbia University Press, 1942), pp. 8–9; Ludwig von Mises, Human Action (Auburn, Ala.: Mises Institute, 1998), pp. 188ff. For more on the contribution to the analysis of the State by La Boétie, see Oscar Jaszi and John D. Lewis, Against the Tyrant (Glencoe, Ill.: The Free Press, 1957), pp. 55–57.

10 La Boétie, Anti-Dictator, pp. 43–44.

Whenever a ruler makes himself dictator . . . all those who are corrupted by burning ambition or extraordinary avarice, these gather around him and support him in order to have a share in the booty and to constitute themselves petty chiefs under the big tyrant.

part.[11]

The alliance between the State and the intellectuals was symbolized in the eager desire of professors at the University of Berlin in the nineteenth century to form the "intellectual bodyguard of the House of Hohenzollern." In the present day, let us note the revealing comment of an eminent Marxist scholar concerning Professor Wittfogel's critical study of ancient Oriental despotism: "The civilization which Professor Wittfogel is so bitterly attacking was one which could make poets and scholars into officials."[12] Of innumerable examples, we may cite the recent development of the "science" of strategy, in the service of the government's main violence-wielding arm, the military.[13] A venerable institution, furthermore, is the official or "court" historian, dedicated to purveying the rulers' views of their own and their predecessors' actions.[14]

Many and varied have been the arguments by which the State and its intellectuals have induced their subjects to support their rule. Basically, the strands of argument may be summed up as follows: (a) the State rulers are great and wise men (they "rule by divine right," they are the "aristocracy" of men, they are the "scientific experts"), much greater and wiser than the good but rather simple subjects, and (b) rule by the extent government is inevitable, absolutely necessary, and far better, than the indescribable evils that would ensue upon its downfall. The union of Church and State was one of the oldest and most successful of these ideological devices. The ruler was either anointed by God or, in the case of the absolute rule of many Oriental despotisms, was himself God; hence, any resistance to his rule would be blasphemy. The States' priestcraft performed the basic intellectual function of obtaining popular support and even worship for the rulers.[15]

Another successful device was to instill fear of any alternative systems of rule or nonrule.

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11 This by no means implies that all intellectuals ally themselves with the State. On aspects of the alliance of intellectuals and the State, cf. Bertrand de Jouvenel, "The Attitude of the Intellectuals to the Market Society," The Owl (January, 1951): pp. 19–27; idem, "The Treatment of Capitalism by Continental Intellectuals," in F.A. Hayek, ed., Capitalism and the Historians (Chicago: University of Chicago Press, 1954), pp. 93–123; reprinted in George B. de Huszar, The Intellectuals (Glencoe, Ill.: The Free Press, 1960), pp. 385–99; and Schumpeter, Imperialism and Social Classes (New York: Meridian Books, 1975), pp. 143–55.

12 Joseph Needham, "Review of Karl A. Wittfogel, Oriental Despotism," Science and Society (1958): p. 65. Needham also writes that "the successive [Chinese] emperors were served in all ages by a great company of profoundly humane and disinterested scholars," p. 61. Wittfogel notes the Confucian doctrine that the glory of the ruling class rested on its gentleman scholar-bureaucrat officials, destined to be professional rulers dictating to the mass of the populace. Karl A. Wittfogel, Oriental Despotism (New Haven, Conn.: Yale University Press, 1957), pp. 320–21 and passim. For an attitude contrasting to Needham's, cf. John Lukacs, "Intellectual Class or Intellectual Profession?" in de Huszar, The Intellectuals, pp. 521–22.

13 Jeanne Ribs, "The War Plotters," Liberation (August, 1961): p. 13. "[s]trategists insist that their occupation deserves the 'dignity of the academic counterpart of the military profession.'" Also see Marcus Raskin, "The Megadeath Intellectuals," New York Review of Books (November 14, 1963): pp. 6–7.

14 Thus the historian Conyers Read, in his presidential address, advocated the suppression of historical fact in the service of "democratic" and national values. Read proclaimed that "total war, whether it is hot or cold, enlists everyone and calls upon everyone to play his part. The historian is not freer from this obligation than the physicist." Read, "The Social Responsibilities of the Historian," American Historical Review (1951): p. 283ff. For a critique of Read and other aspects of court history, see Howard K. Beale, "The Professional Historian: His Theory and Practice," The Pacific Historical Review (August, 1953): pp. 227–55. Also cf. Herbert Butterfield, "Official History: Its Pitfalls and Criteria," History and Human Relations (New York: Macmillan, 1952), pp. 182–224; and Harry Elmer Barnes, The Court Historians Versus Revisionism (n.d.), pp. 2ff.

15 Cf. Wittfogel, Oriental Despotism, pp. 87–100. On the contrasting roles of religion vis-à-vis the State in ancient China and Japan, see Norman Jacobs, The Origin of Modern Capitalism and Eastern Asia (Hong Kong: Hong Kong University Press, 1958), pp. 161–94.

The present rulers, it was maintained, supply to the citizens an essential service for which they should be most grateful: protection against sporadic criminals and marauders. For the State, to preserve its own monopoly of predation, did indeed see to it that private and unsystematic crime was kept to a minimum; the State has always been jealous of its own preserve. Especially has the State been successful in recent centuries in instilling fear of *other* State rulers. Since the land area of the globe has been parceled out among particular States, one of the basic doctrines of the State was to identify itself with the territory it governed. Since most men tend to love their homeland, the identification of that land and its people with the State was a means of making natural patriotism work to the State's advantage. If "Ruritania" was being attacked by "Walldavia," the first task of the State and its intellectuals was to convince the people of Ruritania that the attack was really upon *them* and not simply upon the ruling caste. In this way, a war between rulers was converted into a war between *peoples*, with each people coming to the defense of its *rulers* in the erroneous belief that the rulers were defending *them*. This device of "nationalism" has only been successful, in Western civilization, in recent centuries; it was not too long ago that the mass of subjects regarded wars as irrelevant battles between various sets of nobles.

Many and subtle are the ideological weapons that the State has wielded through the centuries. One excellent weapon has been tradition. The longer that the rule of a State has been able to preserve itself, the more powerful this weapon; for then, the X Dynasty or the Y State has the seeming weight of centuries of tradition behind it.[16] Worship of one's ancestors, then, becomes a none too subtle means of worship of one's ancient rulers. The greatest danger to the State is independent intellectual criticism; there is no better way to stifle that criticism than to attack any isolated voice, any raiser of new doubts, as a profane violator of the wisdom of his ancestors. Another potent ideological force is to deprecate the *individual* and exalt the collectivity of society. For since any given rule implies majority acceptance, any ideological danger to that rule can only start from one or a few independently-thinking individuals. The new idea, much less the new *critical* idea, must needs begin as a small minority opinion; therefore, the State must nip the view in the bud by ridiculing any view that defies the opinions of the mass. "Listen only to your brothers" or "adjust to society" thus become ideological weapons for crushing individual dissent.[17] By such measures, the masses will never learn of the nonexistence of their Emperor's clothes.[18] It is also important for the State to make its rule seem inevitable; even if its reign is disliked, it will then be met with passive resignation, as witness the familiar coupling of "death and taxes." One method is to induce historiographical determinism, as opposed to individual freedom of will. If the X Dynasty rules us, this is because the Inexorable Laws of History (or the Divine Will,

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16 De Jouvenel, On Power, p. 22:

The essential reason for obedience is that it has become a habit of the species. . . . Power is for us a fact of nature. From the earliest days of recorded history it has always presided over human destinies . . . the authorities which ruled [societies] in former times did not disappear without bequeathing to their successors their privilege nor without leaving in men's minds imprints which are cumulative in their effect. The succession of governments which, in the course of centuries, rule the same society may be looked on as one underlying government which takes on continuous accretions.

17 On such uses of the religion of China, see Norman Jacobs, passim.

18 H.L. Mencken, A Mencken Chrestomathy (New York: Knopf, 1949), p. 145:

All [government] can see in an original idea is potential change, and hence an invasion of its prerogatives. The most dangerous man, to any government, is the man who is able to think things out for himself, without regard to the prevailing superstitions and taboos. Almost inevitably he comes to the conclusion that the government he lives under is dishonest, insane and intolerable, and so, if he is romantic, he tries to change it. And even if he is not romantic personally he is very apt to spread discontent among those who are.

or the Absolute, or the Material Productive Forces) have so decreed and nothing any puny individuals may do can change this inevitable decree. It is also important for the State to inculcate in its subjects an aversion to any "conspiracy theory of history"; for a search for "conspiracies" means a search for motives and an attribution of responsibility for historical misdeeds. If, however, any tyranny imposed by the State, or venality, or aggressive war, was caused not by the State rulers but by mysterious and arcane "social forces," or by the imperfect state of the world or, if in some way, *everyone* was responsible ("We Are All Murderers," proclaims one slogan), then there is no point to the people becoming indignant or rising up against such misdeeds. Furthermore, an attack on "conspiracy theories" means that the subjects will become more gullible in believing the "general welfare" reasons that are always put forth by the State for engaging in any of its despotic actions. A "conspiracy theory" can unsettle the system by causing the public to doubt the State's ideological propaganda.

Another tried and true method for bending subjects to the State's will is inducing guilt. Any increase in private well-being can be attacked as "unconscionable greed," "materialism," or "excessive affluence," profit-making can be attacked as "exploitation" and "usury," mutually beneficial exchanges denounced as "selfishness," and somehow with the conclusion always being drawn that more resources should be siphoned from the private to the "public sector." The induced guilt makes the public more ready to do just that. For while individual persons tend to indulge in "selfish greed," the failure of the State's rulers to engage in exchanges is supposed to signify *their* devotion to higher and nobler causes – parasitic predation being apparently morally and esthetically lofty as compared to peaceful and productive work.

In the present more secular age, the divine right of the State has been supplemented by the invocation of a new god, Science. State rule is now proclaimed as being ultrascientific, as constituting planning by experts. But while "reason" is invoked more than in previous centuries, this is not the true reason of the individual and his exercise of free will; it is still collectivist and determinist, still implying holistic aggregates and coercive manipulation of passive subjects by their rulers.

The increasing use of scientific jargon has permitted the State's intellectuals to weave obscurantist apologia for State rule that would have only met with derision by the populace of a simpler age. A robber who justified his theft by saying that he really helped his victims, by his spending giving a boost to retail trade, would find few converts; but when this theory is clothed in Keynesian equations and impressive references to the "multiplier effect," it unfortunately carries more conviction. And so the assault on common sense proceeds, each age performing the task in its own ways.

Thus, ideological support being vital to the State, it must unceasingly try to impress the public with its "legitimacy," to distinguish its activities from those of mere brigands. The unremitting determination of its assaults on common sense is no accident, for as Mencken vividly maintained:

> The average man, whatever his errors otherwise, at least sees clearly that government is something lying outside him and outside the generality of his fellow men – that it is a separate, independent, and hostile power, only partly under his control, and capable of doing him great harm. Is it a fact of no significance that robbing the government is everywhere regarded as a crime of less magnitude than robbing an individual, or even a corporation? . . . What lies behind all this, I believe, is a deep sense of the

> fundamental antagonism between the government and the people it governs. It is apprehended, not as a committee of citizens chosen to carry on the communal business of the whole population, but as a separate and autonomous corporation, mainly devoted to exploiting the population for the benefit of its own members. . . . When a private citizen is robbed, a worthy man is deprived of the fruits of his industry and thrift; when the government is robbed, the worst that happens is that certain rogues and loafers have less money to play with than they had before. The notion that they have earned that money is never entertained; to most sensible men it would seem ludicrous.[19]

How the State Transcends Its Limits

As Bertrand de Jouvenel has sagely pointed out, through the centuries men have formed concepts designed to check and limit the exercise of State rule; and, one after another, the State, using its intellectual allies, has been able to transform these concepts into intellectual rubber stamps of legitimacy and virtue to attach to its decrees and actions. Originally, in Western Europe, the concept of divine sovereignty held that the kings may rule only according to divine law; the kings turned the concept into a rubber stamp of divine approval for any of the kings' actions. The concept of parliamentary democracy began as a popular check upon absolute monarchical rule; it ended with parliament being the essential part of the State and its every act totally sovereign. As de Jouvenel concludes:

> Many writers on theories of sovereignty have worked out one . . . of these restrictive devices. But in the end every single such theory has, sooner or later, lost its original purpose, and come to act merely as a springboard to Power, by providing it with the powerful aid of an invisible sovereign with whom it could in time successfully identify itself.[20]

Similarly with more specific doctrines: the "natural rights" of the individual enshrined in John Locke and the Bill of Rights, became a statist "right to a job"; utilitarianism turned from arguments for liberty to arguments against resisting the State's invasions of liberty, etc.

Certainly the most ambitious attempt to impose limits on the State has been the Bill of Rights and other restrictive parts of the American Constitution, in which written limits on government became the fundamental law to be interpreted by a judiciary supposedly independent of the other branches of government. All Americans are familiar with the process by which the construction of limits in the Constitution has been inexorably broadened over the last century. But few have been as keen as Professor Charles Black to see that the State has, in the process, largely transformed judicial review itself from a limiting device to yet another instrument for furnishing ideological legitimacy to the government's actions. For if a judicial decree of "unconstitutional" is a mighty check to government power, an implicit or explicit verdict of "constitutional" is a mighty weapon for fostering public acceptance of ever-greater government power.

Professor Black begins his analysis by pointing out the crucial necessity of "legitimacy" for any government to endure, this legitimation signifying basic majority acceptance of the

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19 Ibid., pp. 146–47.

20 De Jouvenel, On Power, pp. 27ff.

government and its actions.[21] Acceptance of legitimacy becomes a particular problem in a country such as the United States, where "substantive limitations are built into the theory on which the government rests." What is needed, adds Black, is a means by which the government can assure the public that its increasing powers are, indeed, "constitutional." And this, he concludes, has been the major historic function of judicial review.

Let Black illustrate the problem:

> The supreme risk [to the government] is that of disaffection and a feeling of outrage widely disseminated throughout the population, and loss of moral authority by the government as such, however long it may be propped up by force or inertia or the lack of an appealing and immediately available alternative. Almost everybody living under a government of limited powers, must sooner or later be subjected to some governmental action which as a matter of private opinion he regards as outside the power of government or positively forbidden to government. A man is drafted, though he finds nothing in the Constitution about being drafted. . . . A farmer is told how much wheat he can raise; he believes, and he discovers that some respectable lawyers believe with him, that the government has no more right to tell him how much wheat he can grow than it has to tell his daughter whom she can marry. A man goes to the federal penitentiary for saying what he wants to, and he paces his cell reciting . . . "Congress shall make no laws abridging the freedom of speech.". . . A businessman is told what he can ask, and must ask, for buttermilk.
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> The danger is real enough that each of these people (and who is not of their number?) will confront the concept of governmental limitation with the reality (as he sees it) of the flagrant overstepping of actual limits, and draw the obvious conclusion as to the status of his government with respect to legitimacy.[22]

This danger is averted by the State's propounding the doctrine that one agency must have the ultimate decision on constitutionality and that this agency, in the last analysis, must be *part* of the federal government.[23] For while the seeming independence of the federal judiciary has played a vital part in making its actions virtual Holy Writ for the bulk of the people, it is also and ever true that the judiciary is part and parcel of the government apparatus and appointed by the executive and legislative branches. Black admits that this means that the State has set itself up as a judge in its own cause, thus violating a basic juridical principle for aiming at just decisions. He brusquely denies the possibility of any alternative.[24]

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21 Charles L. Black. Jr., The People and the Court (New York: Macmillan, 1960), pp. 35ff.

22 Ibid., pp. 42–43.

23 Ibid., p. 52:

The prime and most necessary function of the [Supreme] Court has been that of validation, not that of invalidation. What a government of limited powers needs, at the beginning and forever, is some means of satisfying the people that it has taken all steps humanly possible to stay within its powers. This is the condition of its legitimacy, and its legitimacy, in the long run, is the condition of its life. And the Court, through its history, has acted as the legitimation of the government.

24 To Black, this "solution," while paradoxical, is blithely self-evident:

the final power of the State . . . must stop where the law stops it. And who shall set the limit, and who shall enforce the stopping, against the mightiest power? Why, the State itself, of course, through its judges and its laws. Who controls the temperate? Who teaches the wise? (Ibid., pp. 32–33) And:

Where the questions concern governmental power in a sovereign nation, it is not possible to select an umpire who is outside government. Every national government, so long as it is a government, must have the final say on its own power. (Ibid., pp. 48–49)

Black adds:

> The problem, then, is to devise such governmental means of deciding as will [hopefully] reduce to a tolerable minimum the intensity of the objection that government is judge in its own cause. Having done this, you can only hope that this objection, *though theoretically still tenable* [italics mine], will practically lose enough of its force that the legitimating work of the deciding institution can win acceptance.[25]

In the last analysis, Black finds the achievement of justice and legitimacy from the State's perpetual judging of its own cause as "something of a miracle."[26]

Applying his thesis to the famous conflict between the Supreme Court and the New Deal, Professor Black keenly chides his fellow pro-New Deal colleagues for their shortsightedness in denouncing judicial obstruction:

> [t]he standard version of the story of the New Deal and the Court, though accurate in its way, displaces the emphasis. . . . It concentrates on the difficulties; it almost forgets how the whole thing turned out. The upshot of the matter was [and this is what I like to emphasize] that after some twenty-four months of balking . . . the Supreme Court, without a single change in the law of its composition, or, indeed, in its actual manning, *placed the affirmative stamp of legitimacy on the New Deal, and on the whole new conception of government in America*.[27]

In this way, the Supreme Court was able to put the quietus on the large body of Americans who had had strong constitutional objections to the New Deal:

> Of course, not everyone was satisfied. The Bonnie Prince Charlie of constitutionally commanded laissez-faire still stirs the hearts of a few zealots in the Highlands of choleric unreality. But there is no longer any significant or dangerous public doubt as to the constitutional power of Congress to deal as it does with the national economy. . ..We had no means, other than the Supreme Court, for imparting legitimacy to the New Deal.[28]

As Black recognizes, one major political theorist who recognized – and largely in advance – the glaring loophole in a constitutional limit on government of placing the ultimate interpreting power in the Supreme Court was John C. Calhoun. Calhoun was not content with the "miracle," but instead proceeded to a profound analysis of the constitutional problem. In his *Disquisition*, Calhoun demonstrated the inherent tendency of the State to break through the limits of such a constitution:

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25 Ibid., p. 49.

26 This ascription of the miraculous to government is reminiscent of James Burnham's justification of government by mysticism and irrationality:

> In ancient times, before the illusions of science had corrupted traditional wisdom, the founders of cities were known to be gods or demigods. . . . Neither the source nor the justification of government can be put in wholly rational terms . . . why should I accept the hereditary or democratic or any other principle of legitimacy? Why should a principle justify the rule of that man over me? . . . I accept the principle, well . . . because I do, because that is the way it is and has been.

James Burnham, Congress and the American Tradition (Chicago: Regnery, 1959), pp. 3–8. But what if one does not accept the principle? What will "the way" be then?

27 Black, The People and the Court, p. 64.

28 Ibid., p. 65.

> A written constitution certainly has many and considerable advantages, but it is a great mistake to suppose that the mere insertion of provisions to restrict and limit the power of the government, *without investing those for whose protection they are inserted with the means of enforcing their observance* [my italics] will be sufficient to prevent the major and dominant party from abusing its powers. Being the party in possession of the government, they will, from the same constitution of man which makes government necessary to protect society, be in favor of the powers granted by the constitution and opposed to the restrictions intended to limit them. . . . The minor or weaker party, on the contrary, would take the opposite direction and regard them [the restrictions] as essential to their protection against the dominant party. . . . But where there are no means by which they could compel the major party to observe the restrictions, the only resort left them would be a strict construction of the constitution. . . . To this the major party would oppose a liberal construction. . . . It would be construction against construction – the one to contract and the other to enlarge the powers of the government to the utmost. But of what possible avail could the strict construction of the minor party be, against the liberal construction of the major, when the one would have all the power of the government to carry its construction into effect and the other be deprived of all means of enforcing its construction? In a contest so unequal, the result would not be doubtful. The party in favor of the restrictions would be overpowered. . . . The end of the contest would be the subversion of the constitution . . . the restrictions would ultimately be annulled and the government be converted into one of unlimited powers.[29]

One of the few political scientists who appreciated Calhoun's analysis of the Constitution was Professor J. Allen Smith. Smith noted that the Constitution was designed with checks and balances to limit any one governmental power and yet had then developed a Supreme Court with the monopoly of ultimate interpreting power. If the Federal Government was created to check invasions of individual liberty by the separate states, who was to check the Federal power? Smith maintained that implicit in the check-and-balance idea of the Constitution was the concomitant view that no one branch of government may be conceded the ultimate power of interpretation: "It was assumed by the people that the new government could not be permitted to determine the limits of its own authority, since this would make it, and not the Constitution, supreme."[30]

The solution advanced by Calhoun (and seconded, in this century, by such writers as Smith) was, of course, the famous doctrine of the "concurrent majority." If any substantial minority interest in the country, specifically a state government, believed that the Federal Government was exceeding its powers and encroaching on that minority, the minority would have the right to veto this exercise of power as unconstitutional. Applied to state governments, this theory implied the right of "nullification" of a Federal law or ruling within a state's jurisdiction.

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29 John C. Calhoun, A Disquisition on Government (New York: Liberal Arts Press, 1953), pp. 25–27. Also cf. Murray N. Rothbard, "Conservatism and Freedom: A Libertarian Comment," Modern Age (Spring, 1961): p. 219.

30 J. Allen Smith, The Growth and Decadence of Constitutional Government (New York: Henry Holt, 1930), p. 88. Smith added:

it was obvious that where a provision of the Constitution was designed to limit the powers of a governmental organ, it could be effectively nullified if its interpretation and enforcement are left to the authorities as it designed to restrain. Clearly, common sense required that no organ of the government should be able to determine its own powers. Clearly, common sense and "miracles" dictate very different views of government (p. 87).

In theory, the ensuing constitutional system would assure that the Federal Government check any state invasion of individual rights, while the states would check excessive Federal power over the individual. And yet, while limitations would undoubtedly be more effective than at present, there are many difficulties and problems in the Calhoun solution. If, indeed, a subordinate interest should rightfully have a veto over matters concerning it, then why stop with the states? Why not place veto power in counties, cities, wards? Furthermore, interests are not only sectional, they are also occupational, social, etc. What of bakers or taxi drivers or any other occupation? Should *they* not be permitted a veto power over their own lives? This brings us to the important point that the nullification theory confines its checks to *agencies of government* itself. Let us not forget that federal and state governments, and their respective branches, are still states, are still guided by their own state interests rather than by the interests of the private citizens. What is to prevent the Calhoun system from working in reverse, with states tyrannizing over *their* citizens and only vetoing the federal government when it tries to intervene to *stop* that state tyranny? Or for states to acquiesce in federal tyranny? What is to prevent federal and state governments from forming mutually profitable alliances for the joint exploitation of the citizenry? And even if the private occupational groupings were to be given some form of "functional" representation in government, what is to prevent them from using the State to gain subsidies and other special privileges for themselves or from imposing compulsory cartels on their own members?

In short, Calhoun does not push his pathbreaking theory on concurrence far enough: he does not push it down to the *individual* himself. If the individual, after all, is the one whose rights are to be protected, then a consistent theory of concurrence would imply veto power by every individual; that is, some form of "unanimity principle." When Calhoun wrote that it should be "impossible to put or to keep it [the government] in action without the concurrent consent of all," he was, perhaps unwittingly, implying just such a conclusion.[31] But such speculation begins to take us away from our subject, for down this path lie political systems which could hardly be called "States" at all.[32] For one thing, just as the right of nullification for a state logically implies its right of *secession*, so a right of individual nullification would imply the right of any individual to "secede" from the State under which he lives.[33]

Thus, the State has invariably shown a striking talent for the expansion of its powers beyond any limits that might be imposed upon it. Since the State necessarily lives by the compulsory confiscation of private capital, and since its expansion necessarily involves ever-greater incursions on private individuals and private enterprise, we must assert that the State is profoundly and inherently *anti*capitalist. In a sense, our position is the reverse of the Marxist dictum that the State is the "executive committee" of the ruling class in the present day, supposedly the capitalists. Instead, the State – the organization of the political means – constitutes, and is the source of, the "ruling class" (rather, ruling *caste*), and is in permanent opposition to *genuinely* private capital. We may, therefore, say with de Jouvenel:

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31 Calhoun, A Disquisition on Government, pp. 20–21.

32 In recent years, the unanimity principle has experienced a highly diluted revival, particularly in the writings of Professor James Buchanan. Injecting unanimity into the present situation, however, and applying it only to changes in the status quo and not to existing laws, can only result in another transformation of a limiting concept into a rubber stamp for the State. If the unanimity principle is to be applied only to changes in laws and edicts, the nature of the initial "point of origin" then makes all the difference. Cf. James Buchanan and Gordon Tullock, The Calculus of Consent (Ann Arbor: University of Michigan Press, 1962), passim.

33 Cf. Herbert Spencer, "The Right to Ignore the State," in Social Statics (New York: D. Appleton, 1890), pp. 229–39.

> Only those who know nothing of any time but their own, who are completely in the dark as to the manner of Power's behaving through thousands of years, would regard these proceedings [nationalization, the income tax, etc.] as the fruit of a particular set of doctrines. They are in fact the normal manifestations of Power, and differ not at all in their nature from Henry VIII's confiscation of the monasteries. The same principle is at work; the hunger for authority, the thirst for resources; and in all of these operations the same characteristics are present, including the rapid elevation of the dividers of the spoils. Whether it is Socialist or whether it is not, Power must always be at war with the capitalist authorities and despoil the capitalists of their accumulated wealth; in doing so it obeys the law of its nature.[34]

What the State Fears

What the State fears above all, of course, is any fundamental threat to its own power and its own existence. The death of a State can come about in two major ways: (a) through conquest by another State, or (b) through revolutionary overthrow by its own subjects – in short, by war or revolution. War and revolution, as the two basic threats, invariably arouse in the State rulers their maximum efforts and maximum propaganda among the people. As stated above, any way must always be used to mobilize the people to come to the State's defense in the belief that they are defending themselves. The fallacy of the idea becomes evident when conscription is wielded against those who refuse to "defend" themselves and are, therefore, forced into joining the State's military band: needless to add, no "defense" is permitted them against this act of "their own" State.

In war, State power is pushed to its ultimate, and, under the slogans of "defense" and "emergency," it can impose a tyranny upon the public such as might be openly resisted in time of peace. War thus provides many benefits to a State, and indeed every modern war has brought to the warring peoples a permanent legacy of increased State burdens upon society. War, moreover, provides to a State tempting opportunities for conquest of land areas over which it may exercise its monopoly of force. Randolph Bourne was certainly correct when he wrote that "war is the health of the State," but to any particular State a war may spell either health or grave injury.[35]

We may test the hypothesis that the State is largely interested in protecting *itself* rather than its subjects by asking: which category of crimes does the State pursue and punish most intensely – those against private citizens or those against *itself*? The gravest crimes in the State's lexicon are almost invariably not invasions of private person or property, but dangers to its *own* contentment, for example, treason, desertion of a soldier to the enemy, failure to register for the draft, subversion and subversive conspiracy, assassination of rulers and such economic crimes against the State as counterfeiting its money or evasion of its income tax. Or compare the degree of zeal devoted to pursuing the man who assaults a policeman,

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34 De Jouvenel, On Power, p. 171.

35 We have seen that essential to the State is support by the intellectuals, and this includes support against their two acute threats. Thus, on the role of American intellectuals in America's entry into World War I, see Randolph Bourne, "The War and the Intellectuals," in The History of a Literary Radical and Other Papers (New York: S.A. Russell, 1956), pp. 205–22. As Bourne states, a common device of intellectuals in winning support for State actions, is to channel any discussion within the limits of basic State policy and to discourage any fundamental or total critique of this basic framework.

with the attention that the State pays to the assault of an ordinary citizen. Yet, curiously, the State's openly assigned priority to its own defense against the public strikes few people as inconsistent with its presumed *raison d'être*.[36]

How States Relate to One Another

Since the territorial area of the earth is divided among different States, inter-State relations must occupy much of a State's time and energy. The natural tendency of a State is to expand its power, and externally such expansion takes place by conquest of a territorial area. Unless a territory is stateless or uninhabited, any such expansion involves an inherent conflict of interest between one set of State rulers and another. Only one set of rulers can obtain a monopoly of coercion over any given territorial area at any one time: complete power over a territory by State X can only be obtained by the expulsion of State Y. War, while risky, will be an ever-present tendency of States, punctuated by periods of peace and by shifting alliances and coalitions between States.

We have seen that the "internal" or "domestic" attempt to limit the State, in the seventeenth through nineteenth centuries, reached its most notable form in constitutionalism. Its "external," or "foreign affairs," counterpart was the development of "international law," especially such forms as the "laws of war" and "neutrals' rights."[37] Parts of international law were originally purely private, growing out of the need of merchants and traders everywhere to protect their property and adjudicate disputes. Examples are admiralty law and the law merchant. But even the governmental rules emerged voluntarily and were not imposed by any international super-State. The object of the "laws of war" was to limit inter-State destruction *to the State apparatus itself*, thereby preserving the innocent "civilian" public from the slaughter and devastation of war. The object of the development of neutrals' rights was to preserve private civilian international commerce, even with "enemy" countries, from seizure by one of the warring parties. The overriding aim, then, was to limit the extent of any war, and, particularly to limit its destructive impact on the private citizens of the neutral and even the warring countries.

The jurist F.J.P. Veale charmingly describes such "civilized warfare" as it briefly flourished in fifteenth-century Italy:

> the rich burghers and merchants of medieval Italy were too busy making money and enjoying life to undertake the hardships and dangers of soldiering themselves.

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36 As Mencken puts it in his inimitable fashion:

This gang ("the exploiters constituting the government") is well nigh immune to punishment. Its worst extortions, even when they are baldly for private profit, carry no certain penalties under our laws. Since the first days of the Republic, less than a few dozen of its members have been impeached, and only a few obscure understrappers have ever been put into prison. The number of men sitting at Atlanta and Leavenworth for revolting against the extortions of the government is always ten times as great as the number of government officials condemned for oppressing the taxpayers to their own gain. (Mencken, A Mencken Chrestomathy, pp. 147–48)

For a vivid and entertaining description of the lack of protection for the individual against incursion of his liberty by his "protectors," see H.L. Mencken, "The Nature of Liberty," in Prejudices: A Selection (New York: Vintage Books, 1958), pp. 138–43.

37 This is to be distinguished from modern international law, with its stress on maximizing the extent of war through such concepts as "collective security."

> So they adopted the practice of hiring mercenaries to do their fighting for them, and, being thrifty, businesslike folk, they dismissed their mercenaries immediately after their services could be dispensed with. Wars were, therefore, fought by armies hired for each campaign. . . . For the first time, soldiering became a reasonable and comparatively harmless profession. The generals of that period maneuvered against each other, often with consummate skill, but when one had won the advantage, his opponent generally either retreated or surrendered. It was a recognized rule that a town could only be sacked if it offered resistance: immunity could always be purchased by paying a ransom. . . . As one natural consequence, no town ever resisted, it being obvious that a government too weak to defend its citizens had forfeited their allegiance. Civilians had little to fear from the dangers of war which were the concern only of professional soldiers.[38]

The well-nigh absolute separation of the private civilian from the State's wars in eighteenth-century Europe is highlighted by Nef:

> Even postal communications were not successfully restricted for long in wartime. Letters circulated without censorship, with a freedom that astonishes the twentieth-century mind. . . . The subjects of two warring nations talked to each other if they met, and when they could not meet, corresponded, not as enemies but as friends. The modern notion hardly existed that . . . subjects of any enemy country are partly accountable for the belligerent acts of their rulers. Nor had the warring rulers any firm disposition to stop communications with subjects of the enemy. The old inquisitorial practices of espionage in connection with religious worship and belief were disappearing, and no comparable inquisition in connection with political or economic communications was even contemplated. Passports were originally created to provide safe conduct in time of war. During most of the eighteenth century it seldom occurred to Europeans to abandon their travels in a foreign country which their own was fighting.[39]
>
> And trade being increasingly recognized as beneficial to both parties; eighteenth-century warfare also counterbalances a considerable amount of "trading with the enemy."[40]

How far States have transcended rules of civilized warfare in this century needs no elaboration here. In the modern era of total war, combined with the technology of total destruction, the very idea of keeping war limited to the State apparati seems even more quaint and obsolete than the original Constitution of the United States.

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38 F.J.P. Veale, Advance to Barbarism (Appleton, Wis.: C.C. Nelson, 1953), p. 63. Similarly, Professor Nef writes of the War of Don Carlos waged in Italy between France, Spain, and Sardinia against Austria, in the eighteenth century:

at the siege of Milan by the allies and several weeks later at Parma . . . the rival armies met in a fierce battle outside the town. In neither place were the sympathies of the inhabitants seriously moved by one side or the other. Their only fear as that the troops of either army should get within the gates and pillage. The fear proved groundless. At Parma the citizens ran to the town walls to watch the battle in the open country beyond. (John U. Nef, War and Human Progress [Cambridge, Mass.: Harvard University Press, 1950], p. 158. Also cf. Hoffman Nickerson, Can We Limit War? [New York: Frederick A. Stoke, 1934])

39 Nef, War and Human Progress, p. 162.

40 Ibid., p. 161. On advocacy of trading with the enemy by leaders of the American Revolution, see Joseph Dorfman, The Economic Mind in American Civilization (New York: Viking Press, 1946), vol. 1, pp. 210–11.

When States are not at war, agreements are often necessary to keep frictions at a minimum. One doctrine that has gained curiously wide acceptance is the alleged "sanctity of treaties." This concept is treated as the counterpart of the "sanctity of contract." But a treaty and a genuine contract have nothing in common. A contract transfers, in a precise manner, titles to private property. Since a government does not, in any proper sense, "own" its territorial area, any agreements that it concludes do not confer titles to property. If, for example, Mr. Jones sells or gives his land to Mr. Smith, Jones's heir cannot legitimately descend upon Smith's heir and claim the land as rightfully his. The property title has already been transferred. Old Jones's contract is automatically binding upon young Jones, because the former had already transferred the property; young Jones, therefore, has no property claim. Young Jones can only claim that which he has inherited from old Jones, and old Jones can only bequeath property which he still owns. But if, at a certain date, the government of, say, Ruritania is coerced or even bribed by the government of Waldavia into giving up some of its territory, it is absurd to claim that the governments or inhabitants of the two countries are forever barred from a claim to reunification of Ruritania on the grounds of the sanctity of a treaty. Neither the people nor the land of northwest Ruritania are owned by either of the two governments. As a corollary, one government can certainly not bind, by the dead hand of the past, a later government through treaty. A revolutionary government which overthrew the king of Ruritania could, similarly, hardly be called to account for the king's actions or debts, for a government is not, as is a child, a true "heir" to its predecessor's property.

History as a Race Between State Power and Social Power

Just as the two basic and mutually exclusive interrelations between men are peaceful cooperation or coercive exploitation, production or predation, so the history of mankind, particularly its economic history, may be considered as a contest between these two principles. On the one hand, there is creative productivity, peaceful exchange and cooperation; on the other, coercive dictation and predation over those social relations. Albert Jay Nock happily termed these contesting forces: "social power" and "State power."[41] Social power is man's *power over nature*, his cooperative transformation of nature's resources and insight into nature's laws, for the benefit of all participating individuals. Social power is the power over nature, the living standards achieved by men in mutual exchange. State power, as we have seen, is the coercive and parasitic seizure of this production – a draining of the fruits of society for the benefit of nonproductive (actually antiproductive) rulers. While social power is over nature, State power is *power over man*. Through history, man's productive and creative forces have, time and again, carved out new ways of transforming nature for man's benefit. These have been the times when social power has spurted ahead of State power, and when the degree of State encroachment over society has considerably lessened. But always, after a greater or smaller time lag, the State has moved into these new areas, to cripple and confiscate social power once more.[42] If the seventeenth through the nineteenth centuries

41 On the concepts of State power and social power, see Albert J. Nock, Our Enemy the State (Caldwell, Idaho: Caxton Printers, 1946). Also see Nock, Memoirs of a Superfluous Man (New York: Harpers, 1943), and Frank Chodorov, The Rise and Fall of Society (New York: Devin-Adair, 1959).

42 Amidst the flux of expansion or contraction, the State always makes sure that it seizes and retains certain crucial "command posts" of the economy and society. Among these command posts are a monopoly of violence, monopoly of the ultimate judicial power, the channels of communication and transportation (post office, roads, rivers, air routes), irrigated water in Oriental despotisms, and education – to mold the opinions of its future citizens. In the modern economy, money is the critical command post.

were, in many countries of the West, times of accelerating social power, and a corollary increase in freedom, peace, and material welfare, the twentieth century has been primarily an age in which State power has been catching up – with a consequent reversion to slavery, war, and destruction. [43]

In this century, the human race faces, once again, the virulent reign of the State – of the State now armed with the fruits of man's creative powers, confiscated and perverted to its own aims. The last few centuries were times when men tried to place constitutional and other limits on the State, only to find that such limits, as with all other attempts, have failed. Of all the numerous forms that governments have taken over the centuries, of all the concepts and institutions that have been tried, none has succeeded in keeping the State in check. The problem of the State is evidently as far from solution as ever. Perhaps new paths of inquiry must be explored, if the successful, final solution of the State question is ever to be attained.[44]

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43 This parasitic process of "catching up" has been almost openly proclaimed by Karl Marx, who conceded that socialism must be established through seizure of capital previously accumulated under capitalism.

44 Certainly, one indispensable ingredient of such a solution must be the sundering of the alliance of intellectual and State, through the creation of centers of intellectual inquiry and education, which will be independent of State power. Christopher Dawson notes that the great intellectual movements of the Renaissance and the Enlightenment were achieved by working outside of, and sometimes against, the entrenched universities. These academia of the new ideas were established by independent patrons. See Christopher Dawson, The Crisis of Western Education (New York: Sheed and Ward, 1961).

It is important to remember that government interference always means either violent action or the threat of such action. Government is in the last resort the employment of armed men, of policemen, gendarmes, soldiers, prison guards, and hangmen. The essential feature of government is the enforcement of its decrees by beating, killing, and imprisoning.

— Human Action, p. 719.

The essence of statism is to take from one group in order to give to another. The more it can take the more it can give. It is to the interest of those whom the government wishes to favor that their state become as large as possible.

— Omnipotent Government, p. 94.

Everything that happens in the social world in our time is the result of ideas. Good things and bad things. What is needed is to fight bad ideas. We must oppose the confiscation of property, the control of prices, inflation, and all those evils from which we suffer.

— Economic Policy, p. 105.

If it were in any way possible to grant this right of self-determination to every individual person, it would have to be done.

— Liberalism, pp. 109–10.

To the parties of special interests, all political questions appear exclusively as problems of political tactics. Their ultimate goal is fixed for them from the start. Their aim is to obtain, at the cost of the rest of the population, the greatest possible advantages and privileges for the groups they represent. The party platform is intended to disguise this objective and give it a certain appearance of justification, but under no circumstances to announce it publicly as the goal of party policy. The members of the party, in any case, know what their goal is; they do not need to have it explained to them. How much of it ought to be imparted to the world is, however, a purely tactical question.

— Liberalism, pp. 175–76.

Whoever wishes peace among peoples must fight statism.

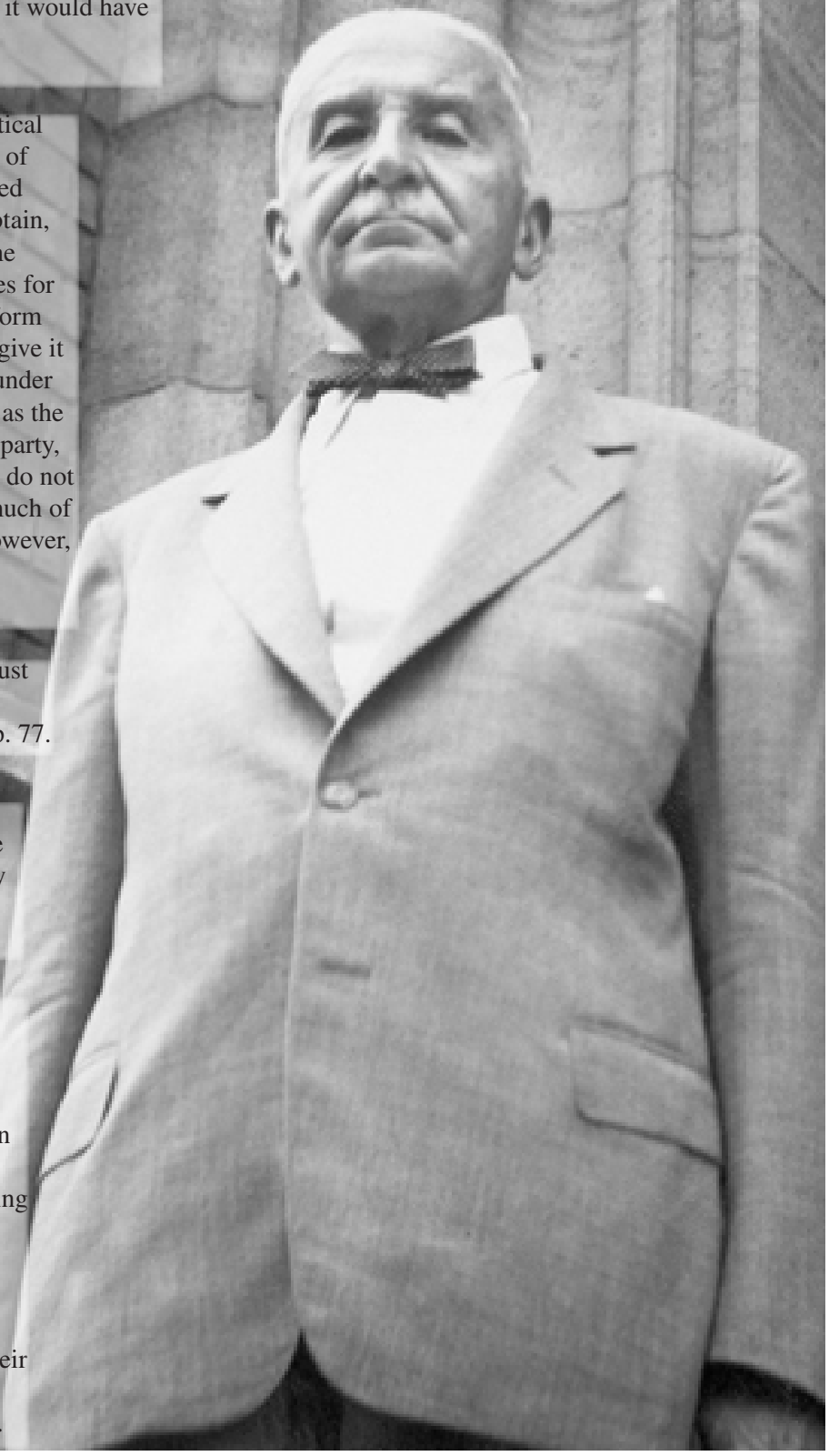
— Nation, State, and Economy, p. 77.

If one rejects laissez faire on account of man's fallibility and moral weakness, one must for the same reason also reject every kind of government action.

— Planning for Freedom, p. 44.

The market economy is the social system of the division of labor under private ownership of the means of production. Everybody acts on his own behalf; but everybody's actions aim at the satisfaction of other people's needs as well as at the satisfaction of his own. Everybody in acting serves his fellow citizens. Everybody, on the other hand, is served by his fellow citizens. Everybody is both a means and an end in himself, an ultimate end for himself and a means to other people in their endeavors to attain their own ends.

— Human Action, p. 258; p. 257.



The idea of a strictly limited constitutional State was a noble experiment that failed, even under the most favorable and propitious circumstances. If it failed then, why should a similar experiment fare any better now? No, it is the conservative laissez-fairist, the man who puts all the guns and all the decision-making power into the hands of the central government and then says, "Limit yourself"; it is he who is truly the impractical utopian.

— The Case of Radical Idealism.



Once one concedes that a single world government is not necessary, then where does one logically stop at the permissibility of separate states? If Canada and the United States can be separate nations without being denounced as being in a state of impermissible "anarchy," why may not the South secede from the United States? New York State from the Union? New York City from the state? Why may not Manhattan secede? Each neighborhood? Each block? Each house? Each person? But, of course, if each person may secede from government, we have virtually arrived at the purely free society, where defense is supplied along with all other services by the free market and where the invasive State has ceased to exist.

— No More Military Socialism.

If Smith and a group of his henchmen aggress against Jones and Jones and his bodyguards pursue the Smith gang to their lair, we may cheer Jones on in his endeavor; and we, and others in society interested in repelling aggression, may contribute financially or personally to Jones's cause. But Jones has no right, any more than does Smith, to aggress against anyone else in the course of his "just war": to steal others' property in order to finance his pursuit, to conscript others into his posse by use of violence, or to kill others in the course of his struggle to capture the Smith forces. If Jones should do any of these things, he becomes a criminal as fully as Smith, and he too becomes subject to whatever sanctions are meted out against criminality.

— War, Peace, and the State.

All we need do now is to point to the black and unprecedented record of the state through history: no combination of private marauders can possibly begin to match the state's unremitting record of theft, confiscation, oppression, and mass murder. No collection of Mafia or private bank robbers can begin to compare with all the Hiroshimas, Dresdens, and Lidices and their analogues through the history of mankind.

— Society Without A State.

Libertarianism is not and does not pretend to be a complete moral, or aesthetic theory; it is only a political theory, that is, the important subset of moral theory that deals with the proper role of violence in social life… Libertarianism holds that the only proper role of violence is to defend person and property against violence, that any use of violence that goes beyond such just defense is itself aggressive, unjust, and criminal. Libertarianism, therefore, is a theory which states that everyone should be free of violent invasion, should be free to do as he sees fit except invade the person or property of another. What a person does with his or her life is vital and important, but is simply irrelevant to libertarianism.

— Myth and Truth About Libertarianism.

What Libertarianism Is

Stephan Kinsella

Property, Rights, and Liberty

Libertarians tend to agree on a wide array of policies and principles. Nonetheless it is not easy to find consensus on what libertarianism's defining characteristic is, or on what distinguishes it from other political theories and systems.

Various formulations abound. It is said that libertarianism is about: individual rights; property rights;[1] the free market; capitalism; justice; the non-aggression principle. Not all these will do,

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[1]The term "private property rights" is sometimes used by libertarians, which I have always found odd, since property rights are necessarily public, not private, in the sense that the borders or boundaries of property must be *publicly visible* so that non-owners can avoid trespass. For more on this aspect of property borders, see Hans-Hermann Hoppe, *A Theory of Socialism and Capitalism: Economics, Politics, and Ethics* (Boston: Kluwer Academic Publishers, 1989), pp. 140–41; Stephan Kinsella, "A Theory of Contracts: Binding Promises, Title Transfer, and Inalienability," *Journal of Libertarian Studies* 17, no. 2 (Spring 2003): n. 32 and accompanying text; idem, *Against Intellectual Property* (Auburn, Ala.: Ludwig von Mises Institute, 2008), pp. 30–31, 49; also Randy E. Barnett, "A Consent Theory of Contract," *Columbia Law Review* 86 (1986): 303.

however. Capitalism and the free market describe the catallactic conditions that arise or are permitted in a libertarian society, but do not encompass other aspects of libertarianism. And individual rights, justice, and aggression collapse into property rights. As Murray Rothbard explained, individual rights are property rights.[2] And justice is just giving someone his due, which depends on what his rights are.[3]

The non-aggression principle is also dependent on property rights, since what aggression is depends on what our (property) rights are. If you hit me, it is aggression *because* I have a property right in my body. If I take from you the apple you possess, this is trespass, aggression, only *because* you own the apple. One cannot identify an act of aggression without implicitly assigning a corresponding property right to the victim.

So capitalism and the free market are too narrow, and justice, individual rights, and aggression all boil down to, or are defined in terms of, property rights. What of property rights, then? Is this what differentiates libertarianism from other political philosophies—that we favor property rights, and all others do not? Surely such a claim is untenable. After all, a property right is simply the *exclusive right to control a scarce resource*.[4] Property rights specify

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[2]Murray N. Rothbard, "'Human Rights' as Property Rights," in *The Ethics of Liberty* (New York and London: New York University Press, 1998); idem, *For A New Liberty: The Libertarian Manifesto* (rev. ed.; New York: Libertarian Review Foundation, 1985), pp. 42 *et pass*.

[3]"Justice is the constant and perpetual wish to render every one his due. . . . The maxims of law are these: to live honestly, to hurt no one, to give every one his due." *The Institutes of Justinian: Text, Translation, and Commentary*, trans. J.A.C. Thomas (Amsterdam: North-Holland, 1975).

[4]As Professor Yiannopoulos explains:

> *Property* may be defined as an *exclusive right to control an economic good* . . .; it is the name of a concept that refers to the rights and obligations, privileges and restrictions that govern the relations of man with respect to *things of value*. People everywhere and at all times desire the possession of things that are necessary for survival or valuable by cultural definition and which, as a result of the demand placed upon them, *become scarce*. Laws enforced by organized society

which persons own—have the right to control—various scarce resources in a given region or jurisdiction. Yet everyone and every political theory advances *some* theory of property. None of the various forms of socialism deny property rights; each socialism will specify an owner for every scarce resource.[5] If the state nationalizes an industry, it is asserting ownership of these means of production. If the state taxes you, it is implicitly asserting ownership of the funds taken. If my land is transferred to a private developer by eminent domain statutes, the developer is now the owner. If the law allows a recipient of racial discrimination to sue his employer for a sum of money—he is the owner of the money.[6]

Protection of and respect for property rights is thus not unique to libertarianism. What is distinctive about libertarianism is its *particular property assignment rules*—its view as to *who is the owner* of each contestable resource, and how to determine this.

> control the competition for, and guarantee the enjoyment of, these desired things. What is guaranteed to be one's own is property. . . . [Property rights] *confer a direct and immediate authority over a thing*.

A.N. Yiannopoulos, *Louisiana Civil Law Treatise, Property* (West Group, 4th ed. 2001), §§ 1, 2 (first emphasis in original; remaining emphasis added). See also *Louisiana Civil Code* (http://tinyurl.com/lacivcode), Art. 477 ("Ownership is the right that confers on a person direct, immediate, and exclusive authority over a thing. The owner of a thing may use, enjoy, and dispose of it within the limits and under the conditions established by law").

[5]For a systematic analysis of various forms of socialism, from Socialism Russian-Style, Socialism Social-Democratic Style, the Socialism of Conservatism, the Socialism of Social Engineering, see Hoppe, *A Theory of Socialism and Capitalism*, chaps. 3–6. Recognizing the common elements of various forms of socialism and their distinction from libertarianism (capitalism), Hoppe incisively defines socialism as "an institutionalized interference with or aggression against private property and private property claims." Ibid., p. 2. See also the quote from Hoppe in note 9, below.

[6]Even the private thief, by taking your watch, is implicitly acting on the maxim that *he* has the right to control it—that he is its owner. He does not deny property rights—he simply differs from the libertarian as to *who the owner is*. In fact, as Adam Smith observed: "If there is any society among robbers and murderers, they must at least, according to the trite observation, abstain from robbing and murdering one another." Adam Smith, *The Theory of Moral Sentiments* (Indianapolis: Liberty Fund, [1759] 1982), II.II.3.

Property in Bodies

A system of property rights assigns a particular owner to every scarce resource. These resources obviously include natural resources such as land, fruits of trees, and so on. Objects found in nature are not the only scarce resources, however. Each human actor has, controls, and is identified and associated with a unique human body, which is also a scarce resource.[7] Both human bodies and non-human scarce resources are desired for use as means by actors in the pursuit of various goals.

Accordingly, any political theory or system must assign ownership rights in human bodies as well as in external things. Let us consider first the libertarian property assignment rules with respect to human bodies, and the corresponding notion of aggression as it pertains to bodies. Libertarians often vigorously assert the non-aggression principle. As Ayn Rand said, "So long as men desire to live together, no man may *initiate*—do you hear me? No man may *start*—the use of physical force against others."[8] Or, as Rothbard put it:

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[7]As Hoppe observes, even in a paradise with a superabundance of goods,

> every person's physical body would still be a scarce resource and thus the need for the establishment of property rules, i.e., rules regarding people's bodies, would exist. One is not used to thinking of one's own body in terms of a scarce good, but in imagining the most ideal situation one could ever hope for, the Garden of Eden, it becomes possible to realize that one's body is indeed the prototype of a scarce good for the use of which property rights, i.e., rights of exclusive ownership, somehow have to be established, in order to avoid clashes.

Hoppe, *A Theory of Socialism and Capitalism*, pp. 8–9. See also Stephan Kinsella & Patrick Tinsley, "Causation and Aggression," *Quarterly Journal of Austrian Economics* 7, no. 4 (Winter 2004): 111–12 (discussing the use of other humans' bodies as means).

[8]Ayn Rand, "Galt's Speech," in *For the New Intellectual*, quoted in *The Ayn Rand Lexicon*, "Physical Force" entry (www. aynrandlexicon.com). Ironically, Objectivists often excoriate libertarians for having a "context-less" concept of aggression—that is, that "aggression" or "rights" is meaningless unless these concepts are embedded in the larger philosophical framework of Objectivism

> The libertarian creed rests upon one central axiom: that no man or group of men may aggress against the person or property of anyone else. This may be called the "nonaggression axiom." "Aggression" is defined as the initiation of the use or threat of physical violence against the person or property of anyone else. Aggression is therefore synonymous with invasion.[9]

In other words, libertarians maintain that the only way to violate rights is by *initiating* force—that is, by committing aggression. (Libertarianism also holds that, while the initiation of force against another person's body is impermissible, force used *in response* to aggression—such as defensive, restitutive, or retaliatory/punitive force—is justified.[10]) Now in the case of the body, it is clear what

—despite Galt's straightforward definition of aggression as the initiation of physical force against others.

[9]Rothbard, *For A New Liberty*, p. 23. See also idem, *The Ethics of Liberty*: "The fundamental axiom of libertarian theory is that each person must be a self-owner, and that no one has the right to interfere with such self-ownership" (p. 60), and "What . . . aggressive violence means is that one man invades the property of another without the victim's consent. The invasion may be 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)" (p. 45). Hoppe writes:

> If . . . an action is performed that uninvitedly invades or changes the physical integrity of another person's body and puts this body to a use that is not to this very person's own liking, this action . . . is called *aggression*. . . . Next to the concept of action, *property* is the most basic category in the social sciences. As a matter of fact, all other concepts to be introduced in this chapter—aggression, contract, capitalism and socialism—are definable in terms of property: *aggression* being aggression against property, *contract* being a nonaggressive relationship between property owners, *socialism* being an institutionalized policy of aggression against property, and *capitalism* being an institutionalized policy of the recognition of property and contractualism.

Hoppe, *A Theory of Socialism and Capitalism*, pp. 12, 7.

[10]See Stephan Kinsella, "A Libertarian Theory of Punishment and Rights," *Loyola of Los Angeles Law Review* 30 (1997): 607–45; idem, "Punishment and Proportionality: The Estoppel Approach," *Journal of Libertarian Studies* 12, no. 1 (Spring 1996): 51–73.

aggression is: invading the borders of someone's body, commonly called battery, or, more generally, *using the body of another without his or her consent*.[11] The very notion of interpersonal aggression presupposes property rights in bodies—more particularly, that each person is, at least *prima facie*, the owner of his own body.[12]

Non-libertarian political philosophies have a different view. Each person has some limited rights in his own body, but not complete or exclusive rights. Society or the state, purporting to be society's agent, has certain rights in each citizen's body, too. This partial slavery is implicit in state actions and laws such as taxation, conscription, and drug prohibitions. The libertarian says that each person is the full owner of his body: he has the right to control his body, to decide whether or not he ingests narcotics, joins an army, and so on. Those various non-libertarians who endorse any such state prohibitions, however, necessarily maintain that the state, or society, is at least a partial owner of the body of those subject to such laws—or even a complete owner in the case of conscriptees or non-aggressor "criminals" incarcerated for life. Libertarians believe in *self*-ownership. Non-libertarians—statists—of all stripes advocate some form of slavery.

Self-ownership and Conflict Avoidance

Without property rights, there is always the possibility of conflict over contestable (scarce) resources. By assigning an owner to each resource, legal systems make possible conflict-free use of

[11]The following terms and formulations may be considered as roughly synonymous, depending on context: aggression; initiation of force; trespass; invasion; unconsented to (or uninvited) change in the physical integrity (or use, control or possession) of another person's body or property.

[12]"*Prima facie*," because some rights in one's body are arguably forfeited or lost in certain circumstances, e.g. when one commits a crime, thus authorizing the victim to at least use defensive force against the body of the aggressor (implying the aggressor is to that extent not the owner of his body). For more on this see Kinsella, "A Theory of Contracts," pp. 11–37; idem, "Inalienability and Punishment: A Reply to George Smith," 14, no. 1 *Journal of Libertarian Studies* (Winter 1998–99): 79–93; and idem, "Knowledge, Calculation, Conflict, and Law," *Quarterly Journal of Austrian Economics* 2, no. 4 (Winter 1999): n. 32.

resources, by establishing visible boundaries that non-owners can avoid. Libertarianism does not endorse just any property assignment rule, however.[13] It favors *self*-ownership over *other*-ownership (slavery).

The libertarian seeks property assignment rules *because* he values or accepts various *grundnorms* such as justice, peace, prosperity, cooperation, conflict-avoidance, civilization.[14] The libertarian

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[13]On the importance of the concept of scarcity and the possibility of conflict for the emergence of property rules, see Hoppe, *A Theory of Socialism and Capitalism*, p. 134; and the discussion thereof in Stephan Kinsella, "Thoughts on the Latecomer and Homesteading Ideas; or, Why the Very Idea of 'Ownership' Implies that only Libertarian Principles are Justifiable," *Mises Economics Blog* (Aug. 15, 2007).

[14]"Grundnorm" was legal philosopher Hans Kelsen's term for the hypothetical basic norm or rule that serves as the basis or ultimate source for the legitimacy of a legal system. See Hans Kelsen, *General Theory of Law and State*, trans. Anders Wedberg (Cambridge, Mass.: Harvard University Press, 1949). I employ this term to refer to the fundamental norms presupposed by civilized people, e.g., in argumentative discourse, which in turn imply libertarian norms.

That the libertarian *grundnorms* are, in fact, necessarily presupposed by all civilized people to the extent they are civilized—during argumentative justification, that is—is shown by Hoppe in his "argumentation ethics" defense of libertarian rights. See on this Hoppe, *A Theory of Socialism and Capitalism*, chap. 7; Stephan Kinsella, "New Rationalist Directions in Libertarian Rights Theory," *Journal of Libertarian Studies* 12, no. 2 (Fall 1996): 313–26; idem, "Defending Argumentation Ethics," *Anti-state.com* (Sept. 19, 2002).

For discussion of *why* people (to one extent or the other) *do* value these underlying norms, see Stephan Kinsella, "The Division of Labor as the Source of Grundnorms and Rights," *Mises Economics Blog* (April 24, 2009), and idem, "Empathy and the Source of Rights," *Mises Economics Blog* (Sept. 6, 2006). See also idem, "Punishment and Proportionality," pp. 51 & 70:

> People who are civilized are . . . concerned about *justifying* punishment. They want to punish, but they also want to know that such punishment is justified—they want to legitimately be able to punish. . . . Theories of punishment are concerned with justifying punishment, with offering decent men who are reluctant to act immorally a reason why they may punish others. This is useful, of course, for offering moral men guidance and assurance that they may properly deal with those who seek to harm them.

view is that self-ownership is the only property assignment rule compatible with these *grundorms*; it is implied by them. As Professor Hoppe has shown, the assignment of ownership to a given resource must not be random, arbitrary, particularistic, or biased, if it is to actually be a property norm that can serve the function of conflict-avoidance.[15] Property title has to be assigned to one of competing claimants based on "the existence of an objective, intersubjectively ascertainable link between owner and the" resource claimed.[16] In the case of one's own body, it is the unique relationship between a person and his body—his *direct and immediate control* over his body, and the fact that, at least in some sense, a body is a given person and vice versa—that constitutes the objective link sufficient to give that person a claim to his body superior to typical third party claimants.

Moreover, any outsider who claims another's body cannot deny this objective link and its special status, since the outsider also necessarily presupposes this in his own case. This is so because in seeking dominion over the other, in asserting ownership over the other's body, he has to presuppose his own ownership of his body, which demonstrates he does place a certain significance on this link, at the same time that he disregards the significance of the other's link to his own body.[17]

Libertarianism realizes that only the self-ownership rule is universalizable and compatible with the goals of peace, cooperation, and conflict avoidance. We recognize that each person is *prima facie* the owner of his own body because, by virtue of his unique link to and connection with his own body—his direct and immediate control over it—he has a better claim to it than anyone else.

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[15]See Hoppe, *A Theory of Socialism and Capitalism*, pp. 131–38. See also Kinsella, "A Libertarian Theory of Punishment and Rights," pp. 617–25; idem, "Defending Argumentation Ethics."

[16]Hoppe, *A Theory of Socialism and Capitalism*, p. 12.

[17]For elaboration on this point, see Stephan Kinsella, "How We Come To Own Ourselves," *Mises Daily* (Sept. 7, 2006); idem, "Defending Argumentation Ethics"; Hoppe, *A Theory of Socialism and Capitalism*, chaps. 1, 2, and 7.

Property in External Things

Libertarians apply similar reasoning in the case of other scarce resources—namely external objects in the world that, unlike bodies, were at one point *unowned*. In the case of bodies, the idea of aggression being impermissible immediately implies self-ownership. In the case of external objects, however, we must identify who the owner is before we can determine what constitutes aggression.

As in the case with bodies, humans need to be able to use external objects as means to achieve various ends. Because these things are scarce, there is also the potential for conflict. And as in the case with bodies, libertarians favor assigning property rights so as to permit the peaceful, conflict-free, productive use of such resources. As in the case with bodies, then, property is assigned to the person with the best claim or link to a given scarce resource—with the "best claim" standard based on the goals of permitting peaceful, conflict-free human interaction and use of resources.

Unlike human bodies, however, external objects are not parts of one's identity, are not directly controlled by one's will—and, significantly, they are *initially unowned*.[18] Here, the libertarian realizes that the relevant objective link is *appropriation*—the transformation or embordering of a previously unowned resource, Lockean homesteading, the first use or possession of the thing.[19] Under this

[18]For further discussion of the difference between bodies and things homesteaded for purposes of rights, see Kinsella, "A Theory of Contracts," pp. 29 *et seq*.; and idem, "How We Come To Own Ourselves."

[19]On the nature of appropriation of unowned scarce resources, see Hoppe's and de Jasay's ideas quoted and discussed in Kinsella, "Thoughts on the Latecomer and Homesteading Ideas," and note 24, below. In particular, see Hoppe, *A Theory of Socialism and Capitalism*, pp. 13, 134–36, 142–44; and Anthony de Jasay, *Against Politics: On Government, Anarchy, and Order* (London & New York: Routledge, 1997), pp. 158 *et seq*., 171 *et seq*., *et pass*. De Jasay is also discussed extensively in my "Book Review of Anthony de Jasay, *Against Politics: On Government, Anarchy, and Order*," *Quarterly Journal of Austrian Economics* 1, no. 3 (Fall 1998): 85–93. De Jasay's argument presupposes the value of justice, efficiency, and order. Given these goals, he argues for three principles of politics: (1) if in doubt, abstain from political action (pp. 147 *et seq*.); (2) the feasible is presumed free (pp. 158 *et seq*.); and (3) let exclusion stand (pp. 171 *et*

approach, the first (prior) user of a previously unowned thing has a *prima facie* better claim than a second (later) claimant solely by virtue of his being earlier.

Why is appropriation the relevant link for determination of ownership? First, keep in mind that the question with respect to such scarce resources is: who is the resource's *owner*? Recall that ownership is the *right* to control, use, or possess,[20] while possession is *actual* control—"the *factual authority* that a person exercises over a corporeal thing."[21] The question is not who has physical possession; it is who has ownership. Thus, asking who is the owner of a resource presupposes a distinction between ownership and possession—between the right to control, and actual control. And the answer has to take into account the nature of previously-unowned things: to-wit, that they must at some point become owned by a first owner.

The answer must also take into account the presupposed goals of those seeking this answer: rules that permit conflict-free use of resources. For this reason, the answer cannot be *whoever has the resource or whoever is able to take it* is its owner. To hold such a view is to adopt a might makes right system where ownership collapses

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seq.). In connection with principle (3), "let exclusion stand," de Jasay offers insightful comments about the nature of homesteading or appropriation of unowned goods. De Jasay equates property with its owner's "excluding" others from using it, for example by enclosing or fencing in immovable property (land) or finding or creating (and keeping) movable property (corporeal, tangible objects). He concludes that since an appropriated thing has no other owner, *prima facie* no one is entitled to object to the first possessor claiming ownership. Thus, the principle means "let ownership stand," i.e., that claims to ownership of property appropriated from the state of nature or acquired ultimately through a chain of title tracing back to such an appropriation should be respected. This is consistent with Hoppe's defense of the "natural" theory of property. Hoppe, *A Theory of Socialism and Capitalism*, pp. 10–14 & chap. 7. For further discussion of the nature of appropriation, see Jörg Guido Hülsmann, "The A Priori Foundations of Property Economics," *Quarterly Journal of Austrian Economics* 7, no. 4 (Winter 2004): 51–57.

[20]See note 4 and accompanying text, above.

[21]Yiannopoulos, *Property*, § 301 (emphasis added); see also *Louisiana Civil Code*, Art. 3421 ("Possession is the *detention* or *enjoyment* of *a corporeal thing*, movable or immovable, that one holds or exercises by himself or by another who keeps or exercises it in his name"; emphasis added).

into possession for want of a distinction.[22] Such a "system," far from avoiding conflict, makes conflict inevitable.[23]

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[22]See, in this connection, the quote from Adam Smith in note 6, above.

[23]This is also, incidentally, the reason the mutualist "occupancy" position on land ownership is unlibertarian. As mutualist Kevin Carson writes:

> For mutualists, *occupancy and use* is the only legitimate standard for establishing ownership of land, regardless of how many times it has changed hands. An existing owner may transfer ownership by sale or gift; but the new owner may establish legitimate title to the land *only by his own occupancy and use*. A change in occupancy will amount to a change in ownership. . . . The *actual occupant is considered the owner of a tract of land*, and any attempt to collect rent by a self-styled ["absentee"] landlord is regarded as a *violent invasion of the possessor's absolute right of property*.

Kevin A. Carson, *Studies in Mutualist Political Economy* (Self-published: Fayetteville, Ark., 2004, http://mutualist.org/id47.html), chap. 5, sec. A (emphasis added). Thus, for mutualism, the "actual occupant" is the "owner"; the "possessor" has the right of property. If a homesteader of land stops personally using or occupying it, he loses his ownership. Carson contends this is compatible with libertarianism:

> [A]ll property rights theories, including Lockean, make provision for *adverse possession and constructive abandonment of property*. They differ only in degree, rather than kind: in the "stickiness" of property. . . . There is a large element of convention in any property rights system—Georgist, mutualist, and both proviso and nonproviso Lockeanism—in determining what constitutes transfer and abandonment.

Kevin A. Carson, "Carson's Rejoinders," *Journal of Libertarian Studies* 20, no. 1 (Winter 2006): 133 (emphasis added). In other words, Lockeanism, Georgism, mutualism are all types of libertarianism, differing only in degree. In Carson's view, the gray areas in issues like adverse possession and abandonment leave room for mutualism's "occupancy" requirement for maintaining land ownership.

But the concepts of adverse possession and abandonment cannot be stretched to cover the mutualist occupancy requirement. The mutualist occupancy view is essentially a *use* or *working* requirement, which is distinct from doctrines of adverse possession and abandonment. The doctrine of abandonment in positive law and in libertarian theory is based on the idea that ownership *acquired* by *intentionally* appropriating a previously unowned thing

Instead of a might-makes-right approach, from the insights noted above it is obvious that *ownership presupposes the prior-later*

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may be lost when the owner's intent to own terminates. Ownership is acquired by a merger of possession and intent to own. Likewise, when the intent to own ceases, ownership does too—this is the case with both abandonment of ownership *and* transfer of title to another person, which is basically an abandonment of property "in favor" of a particular new owner. See Kinsella, "A Theory of Contracts," pp. 26–29; also *Louisiana Civil Code,* Art. 3418 ("A thing is abandoned when its owner relinquishes possession with the intent to give up ownership") and Art. 3424 ("To acquire possession, one must *intend to possess as owner* and must take *corporeal possession* of the thing"; emphasis added).

The legal system must therefore develop rules to determine when property has been abandoned, including default rules that apply *in the absence of clear evidence*. Acquisitive prescription is based on an implicit presumption that the owner has abandoned his property claims if he does not defend it within a reasonable time period against an adverse possessor. But such rules apply to *adverse* possessors—those who possess the property *with the intent to own* and in a sufficiently public fashion that the owner knows or should know of this. See Yiannopoulos, *Property*, § 316; see also Louisiana Civil Code, Art. 3424 ("To acquire possession, one must *intend to possess as owner* and must take corporeal possession of the thing"; emphasis added) and Art. 3476 (to acquire title by acquisitive prescription, "The possession must be continuous, uninterrupted, peaceable, *public*, and unequivocal"; emphasis added); see also Art. 3473. The "public" requirement means that the possessor possesses the proper openly as *owner*, adverse or hostile to the owner's ownership—which is not the case when, for example, a lessee or employee uses an apartment or manufacturing facility under color of title and permission from the owner. Rules of abandonment and adverse possession are default rules that apply when the owner has not made his intention sufficiently clear—by neglect, apathy, death, absence, or other reason.

(In fact, the very idea of abandonment rests on the distinction between ownership and possession. Property is more than possession; it is a right to possess, originating and sustained by the owner's *intention* to possess as owner. And abandonment occurs when the intent to own terminates. This happens even when the (immediately preceding) owner temporarily maintains possession but has lost ownership, as when he gives or sells the thing to another party (as I argue in Kinsella, "A Theory of Contracts," pp. 26–29).)

Clearly, default abandonment and adverse possession rules are categorically different from a working requirement, whereby ownership is lost in the *absence of use*. See, e.g., *Louisiana Mineral Code*, § 27 (http://law.justia.com/louisiana/codes/21/87935.html) ("A mineral servitude is extinguished by: . . . prescription resulting from nonuse for ten years"). Loss of ownership is *not* l ost by nonuse, however, and a working requirement is *not* implied by default rules

distinction: whoever any given system specifies as the owner of a resource, he *has a better claim than latecomers*.[24] If he does not, then he is *not an owner*, but merely the current user or possessor, in a might-makes-right world in which there is no such thing as ownership—which contradicts the presuppositions of the inquiry itself. If the first owner does not have a better claim than latecomers, then he is not an owner, but merely a possessor, and there is no such thing as ownership. More generally, latecomers' claims are inferior to those of prior possessors or claimants, who either

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regarding abandonment and adverse possession. See, e.g., *Louisiana Civil Code*, Art. 481 ("The ownership and the possession of a thing are distinct. . . . Ownership exists independently of any exercise of it and *may not be lost by nonuse*. Ownership is lost when acquisitive prescription accrues in favor of an adverse possessor"; emphasis added). Carson is wrong to imply that abandonment and adverse possession rules can yield a working (or *use* or *occupancy*) requirement for maintaining ownership. In fact, these are distinct and independent legal doctrines. Thus, when a factory owner contractually allows workers to use it, or a landlord permits tenants to live in an apartment, there is no question that the owner *does not intend to abandon* the property, and there is no *adverse* possession (and if there were, the owner could institute the appropriate action to eject them and regain possession; see Yiannopoulos, *Property*, §§ 255, 261, 263–66, 332–33, 335 *et pass*.; *Louisiana Code of Civil Procedure* (http://tinyurl.com/lacodecivproc), Arts. 3651, 3653 & 3655; *Louisiana Civil Code*, Arts. 526 & 531). There is no need for "default" rules here to resolve an ambiguous situation. (For another critique of Carson, see Roderick T. Long, "Land-Locked: A Critique of Carson on Property Rights," *Journal of Libertarian Studies* 20, no. 1 (Winter 2006): 87–95.)

A final note here: I cite positive law here not as an argument from authority, but as an illustration that even the positive law carefully distinguishes between possession and ownership; and also between a *use* or *working* requirement to maintain ownership, and the potential to lose title by abandonment or adverse possession, to illustrate the flaws in Carson's view that an occupancy requirement is just one variant of adverse possession or default abandonment rules. Furthermore, the civilian legal rules cited derive from legal principles developed over the ages in largely decentralized fashion, and can thus be useful in our own libertarian efforts to develop concrete applications of abstract libertarian principles. See Stephan Kinsella, "Legislation and the Discovery of Law in a Free Society," *Journal of Libertarian Studies* 11, no. 2 (Summer 1995): 132–81; also idem, "Knowledge, Calculation, Conflict, and Law," pp. 60–63 (discussing Randy Barnett's views on the distinction between abstract legal rights and more concrete rules that serve as guides to action).

[24]See Kinsella, "Thoughts on the Latecomer and Homesteading Ideas."

homesteaded the resource or who can trace their title back to the homesteader or earlier owner.[25] The crucial importance of the prior-later distinction to libertarian theory is why Professor Hoppe repeatedly emphasizes it in his writing.[26]

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[25]See *Louisiana Code of Civil Procedure*, Art. 3653, providing:

> To obtain a judgment recognizing his ownership of immovable property . . ., the plaintiff . . . shall:
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> (1) Prove that he has acquired ownership from a previous owner or by acquisitive prescription, if the court finds that the defendant is in possession thereof; or
>
> (2) Prove a better title thereto than the defendant, if the court finds that the latter is not in possession thereof.
>
> When the titles of the parties are traced to a common author, he is presumed to be the previous owner.

See also *Louisiana Civil Code*, Arts. 526, 531–32; Yiannopoulos, *Property*, §§ 255–79 & 347 *et pass*.

[26]See, e.g., Hoppe, *A Theory of Socialism and Capitalism*, pp. 141–44; idem, *The Economics and Ethics of Private Property: Studies in Political Economy and Philosophy* (Boston: Kluwer, 1993), pp. 191–93; see also discussion of these and related matters in in Kinsella, "Thoughts on the Latecomer and Homesteading Ideas"; idem, "Defending Argumentation Ethics"; and idem, "How We Come To Own Ourselves." See also, in this connection, Anthony de Jasay, *Against Politics*, further discussed and quoted in Kinsella, "Thoughts on the Latecomer and Homesteading Ideas," as well as in Kinsella, "Book Review of Anthony de Jasay, *Against Politics*." See also de Jasay's argument (note 17, above) that since an appropriated thing has no other owner, *prima facie* no one is entitled to object to the first possessor claiming ownership. De Jasay's "let exclusion stand" idea, along with the Hoppean emphasis on the prior-later distinction, sheds light on the nature of homesteading itself. Often the question is asked as to what types of acts constitute or are sufficient for homesteading (or "embordering" as Hoppe sometimes refers to it); what type of "labor" must be "mixed with" a thing; and to what property does the homesteading extend? What "counts" as "sufficient" homesteading? We can see that the answer to these questions is related to the issue of what is the thing in dispute. In other words, if B claims ownership of a thing possessed (or formerly possessed) by A, then the very framing of the dispute helps to identify what the thing is in dispute, and what counts as possession of it. If B claims ownership of a given resource, he wants the right to control it, to a certain extent, and according to its nature. Then the question becomes, did someone

Thus, the libertarian position on property rights is that, in order to permit conflict-free, productive use of scarce resources, property titles to particular resources are assigned to particular owners. As noted above, however, the title assignment must not be random, arbitrary, or particularistic; instead, it has to be assigned based on "the existence of an objective, intersubjectively ascertainable link between owner and the" resource claimed.[27] As can be seen from the considerations presented above, the link is the physical transformation or embordering of the original homesteader, or a chain of title traceable by contract back to him.[28]

Consistency and Principle

Not only libertarians are civilized. Most people give some weight to some of the above considerations. In their eyes, a person is the owner of his own body—usually. A homesteader owns the resource he appropriates—unless the state takes it from him "by operation of law."[29] This is the principal distinction between libertarians and

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else previously control "it" (whatever is in dispute), according to its nature; i.e., did someone else already homestead it, so that B is only a latecomer? This ties in with de Jasay's "let exclusion stand" principle, which rests on the idea that if someone is actually able to control a resource such that others are excluded, then this exclusion should "stand." Of course, the physical nature of a given scarce resource and the way in which humans use such resources will determine the nature of actions needed to "control" it and exclude others.

[27]Hoppe, *A Theory of Socialism and Capitalism*, p. 12.

[28]On the title transfer theory of contract, see Williamson M. Evers, "Toward a Reformulation of the Law of Contracts," *Journal of Libertarian Studies* 1, no. 1 (Winter 1977): 3–13; Rothbard, "Property Rights and the Theory of Contracts," chap. 19 in idem, *The Ethics of Liberty*; Kinsella, "A Theory of Contracts."

[29]State laws and constitutional provisions often pay lip service to the existence of various personal and property rights, but then take it back by recognizing the right of the state to regulate or infringe the right so long as it is "by law" or "not arbitrary." See, e.g., *Constitution of Russia*, Art. 25 ("The home shall be inviolable. No one shall have the right to get into a house against the will of those living there, except for the cases established by a federal law or by court decision") and Art. 34 ("Everyone shall have the right to freely use his or her abilities and property for entrepreneurial or any other economic activity not prohibited by the law"); *Constitution of Estonia*, Art. 31 ("Estonian

non-libertarians: libertarians are consistently opposed to aggression, defined in terms of invasion of property borders, where property rights are understood to be assigned on the basis of self-ownership, in the case of bodies; and on the basis of prior possession or homesteading and contractual transfer of title, in the case of other things.

This framework for rights is motivated by the libertarian's consistent and principled valuing of peaceful interaction and cooperation—in short, of civilized behavior. A parallel to the Misesian view of human action may be illuminating here. According to Mises, human action is aimed at alleviating some *felt uneasiness*.[30] Thus, means are employed, according to the actor's understanding of causal laws, to achieve various ends—ultimately, the removal of some felt uneasiness.

Civilized man feels uneasy at the prospect of violent struggles with others. On the one hand, he wants, for some practical reason, to control a given scarce resource and to use violence against another person, if necessary, to achieve this control. On the other hand, he also wants to avoid a wrongful use of force. Civilized man, for some reason, feels reluctance, uneasiness, at the prospect of violent interaction with his fellow man. Perhaps he has reluctance to violently clash with others over certain objects because he has empathy with them.[31] Perhaps the instinct to cooperate has is a result of social evolution. As Mises noted,

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citizens shall have the right to engage in commercial activities and to form profit-making associations and leagues. The law may determine conditions and procedures for the exercise of this right"); *Universal Declaration of Human Rights*, Art. 17 ("Everyone has the right to own property alone as well as in association with others. . . . No one shall be arbitrarily deprived of his property"); Art. 29(2) ("In the exercise of his rights and freedoms, everyone shall be subject only to such limitations as are determined by law solely for the purpose of securing due recognition and respect for the rights and freedoms of others and of meeting the just requirements of morality, public order and the general welfare in a democratic society").

[30]Ludwig von Mises, *Human Action*, 4th ed. (Irvington-on-Hudson, N.Y.: Foundation for Economic Education, 1996), pp. 13–14, *et pass*.

[31]For further discussion of the role of empathy in the adoption of libertarian *grundnorms*, see note 14, above.

> There are people whose only aim is to improve the condition of their own ego. There are other people with whom awareness of the troubles of their fellow men causes as much uneasiness as or even more uneasiness than their own wants.[32]

Whatever the reason, because of this uneasiness, when there is the potential for violent conflict, the civilized man seeks justification for the forceful control of a scarce resource which he desires but which some other person opposes. Empathy—or whatever spurs man to adopt the libertarian *grundnorms*—gives rise to a certain form of uneasiness, which gives rise to *ethical action*. Civilized man may be defined as he who seeks justification for the use of interpersonal violence. When the inevitable need to engage in violence arises—for defense of life or property—civilized man seeks justification. Naturally, since this justification-seeking is done by people who are inclined to reason and peace (justification is after all a peaceful activity that necessarily takes place during discourse),[33] what they seek are rules that are fair, potentially acceptable to all, grounded in the nature of things, universalizable, and that permit conflict-free use of resources. Libertarian property rights principles emerge as the only candidate that satisfies these criteria. Thus, if civilized man is he who seeks justification for the use of violence, the libertarian is he who is *serious* about this endeavor. He has a deep, principled, innate opposition to violence, and an equally deep commitment to peace and cooperation.

For the foregoing reasons, libertarianism may be said to be the political philosophy that *consistently* favors social rules aimed at promoting peace, prosperity, and cooperation. It recognizes that the only rules that satisfy the civilized *grundnorms* are the self-ownership principle and the Lockean homesteading principle, applied as consistently as possible.

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[32]Ibid, p. 14.

[33]As Hoppe explains, "Justification—proof, conjecture, refutation—is *argumentative* justification." Hoppe, *The Economics and Ethics of Private Property*, p. 384; also ibid, p. 413, and also Hoppe, *A Theory of Socialism and Capitalism*, p. 130 *et pass*.

And as I have argued elsewhere, because the state necessarily commits aggression, the consistent libertarian, in opposing aggression, is also an anarchist.[34]

[34]See Stephan Kinsella, "What it Means to be an Anarcho-Capitalist," *LewRockwell.com* (Jan. 20, 2004); also Jan Narveson, "The Anarchist's Case," in *Respecting Persons in Theory and Practice* (Lanham, Md.: Rowman & Littlefield, 2002).

Taxation is theft, so why blame the victim? Why, in effect, tell the victim of assault-by-taxation "if you don't like it you can leave"? That position simply affirms that opposition to the violence of taxation will beget more violence. Why not say the same things to victims of physical and sexual assault?

— Chris Leithner, Email to Michael Conaghan, 2009.

The notion that a radical is one who hates his country is naïve and usually idiotic. He is, more likely, one who likes his country more than the rest of us, and is thus more disturbed than the rest of us when he sees it debauched. He is not a bad citizen turning to crime; he is a good citizen driven to despair.

— H.L. Mencken (Letter to Upton Sinclair, October 14, 1917)

Property does not exist because there are laws, but laws exist because there is property.

— Frédéric Bastiat, The Law.



Proponents of government intervention are trapped in a fatal contradiction: they assume that individuals are not competent to run their own affairs or to hire experts to advise them. And yet they also assume that these same individuals are equipped to vote for these same experts at the ballot box. We have seen that, on the contrary, while most people have a direct idea and a direct test of their own personal interests on the market, they cannot understand the complex chains of praxeological and philosophical reasoning necessary for a choice of rulers or political policies. Yet this political sphere of open demagogy is precisely the only one where the mass of individuals are deemed to be competent!

— Murray N. Rothbard, Man, Economy, and State with Power and Market, p. 1302.

As for the kindergarten [level] argument, it does not follow from the fact that the state provides roads and schools that only the state can provide such goods. People have little difficulty recognising that this is a fallacy. From the fact that monkeys can ride bikes it does not follow that only monkeys can ride bikes. And second, immediately following, it must be recalled that the state is an institution that can legislate and tax; and hence, that state agents have little incentive to produce efficiently. State roads and schools will only be more costly and their quality lower. For there is always a tendency for state agents to use up as many resources as possible doing whatever they do but actually work as little as possible doing it.

— Hans-Hermann Hoppe, Reflections on the Origin and the Stability of the State.

…Furthermore, the purely free-market, stateless society would contain within itself a system of built-in "checks and balances" that would make it almost impossible for such organized crime to succeed. There has been much talk about "checks and balances" in the American system, but these can scarcely be considered checks at all, since every one of these institutions is an agency of the central government and eventually of the ruling party of that government. The checks and balances in the stateless society consist precisely in the free market, i.e., the existence of freely competitive police and judicial agencies that could quickly be mobilized to put down any outlaw agency.

It is true that there can be no absolute guarantee that a purely market society would not fall prey to organized criminality. But this concept is far more workable than the truly Utopian idea of a strictly limited government, an idea that has never worked historically. And understandably so, for the State's built-in monopoly of aggression and inherent absence of free-market checks have enabled it to burst easily any bonds that well-meaning people have tried to place upon it. Finally, the worst that could possibly happen would be for the State to be reestablished. And since the State is what we have now, any experimentation with a stateless society would have nothing to lose and everything to gain.

— Murray N. Rothbard, No More Military Socialism.



Daily Bell: How would law and order be provided in this society? How would your ideal justice system work?

Dr. Hans-Hermann Hoppe:
In a private law society the production of law and order - of security - would be undertaken by freely financed individuals and agencies competing for a voluntarily paying (or not-paying) clientele - just as the production of all other goods and services. How this system would work can be best understood in contrast to the workings of the present, all-too-familiar statist system. If one wanted to summarize in one word the decisive difference - and advantage - of a competitive security industry as compared to the current statist practice, it would be: contract.

The state operates in a legal vacuum. There exists no contract between the state and its citizens. It is not contractually fixed, what is actually owned by whom, and what, accordingly, is to be protected. It is not fixed, what service the state is to provide, what is to happen if the state fails in its duty, nor what the price is that the "customer" of such "service" must pay. Rather, the state unilaterally fixes the rules of the game and can change them, per legislation, during the game. Obviously, such behavior is inconceivable for freely financed security providers. Just imagine a security provider, whether police, insurer or arbitrator, whose offer consisted in something like this: I will not contractually guarantee you anything. I will not tell you what I oblige myself to do if, according to your opinion, I do not fulfill my service to you - but in any case, I reserve the right to unilaterally determine the price that you must pay me for such undefined service. Any such security provider would immediately disappear from the market due to a complete lack of customers.

Each private, freely financed security producer must instead offer its prospective clients a contract. And these contracts must, in order to appear acceptable to voluntarily paying consumers, contain clear property descriptions as well as clearly defined mutual services and obligations. Each party to a contract, for the duration or until the fulfillment of the contract, would be bound by its terms and conditions; and every change of terms or conditions would require the unanimous consent of all parties concerned.

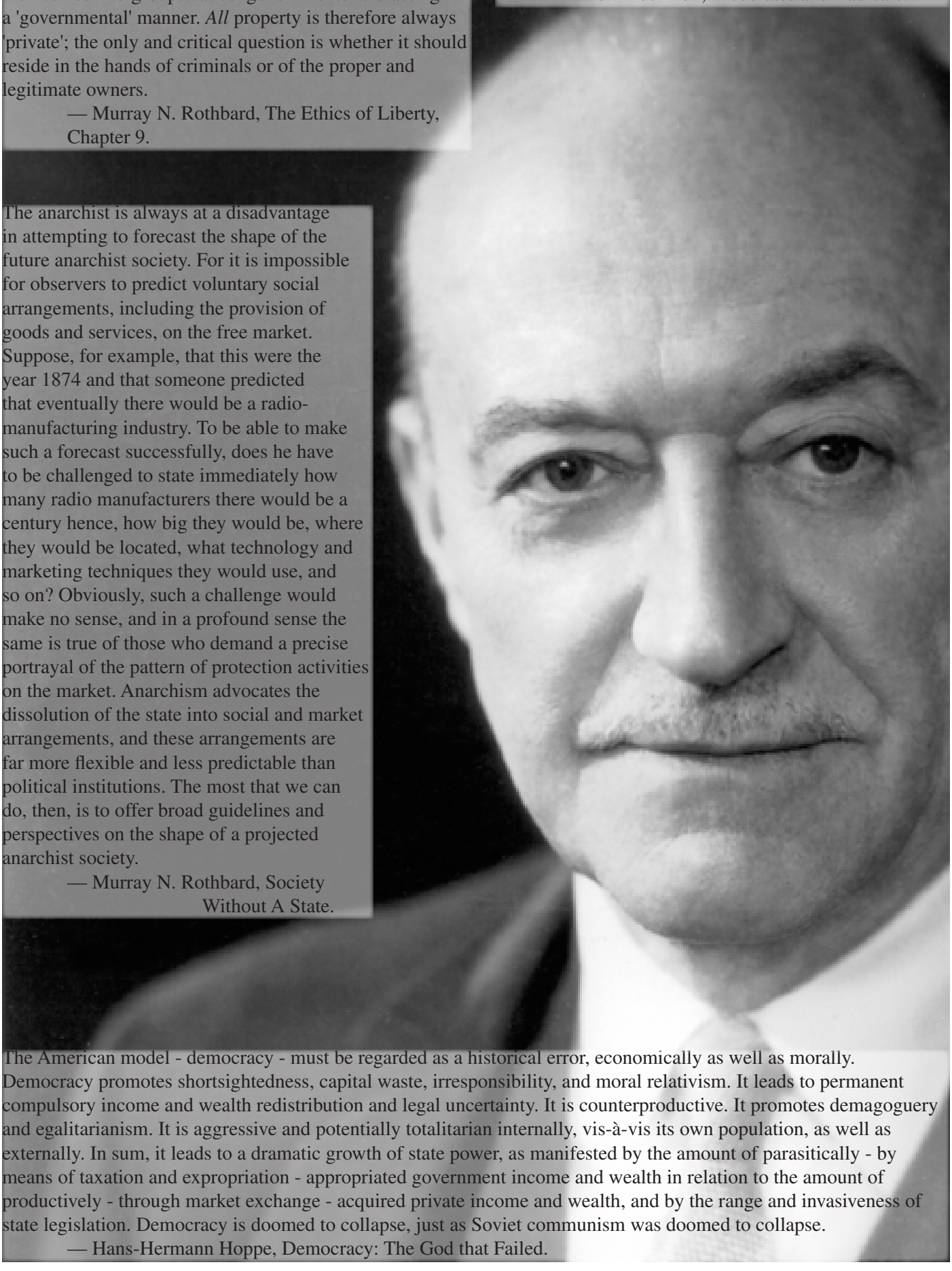
Specifically, in order to appear acceptable to security buyers, these contracts must contain provisions about what will be done in the case of a conflict or dispute between the protector or insurer and his own protected or insured clients as well as in the case of a conflict between different protectors or insurers and their respective clients. And in this regard only one mutually agreeable solution exists: in these cases the conflicting parties contractually agree to arbitration by a mutually trusted but independent third party. And as for this third party: it, too, is freely financed and stands in competition with other arbitrators or arbitration agencies. Its clients, i.e., the insurers and the insured, expect of it, that it come up with a verdict that is recognized as fair and just by all sides. Only arbitrators capable of forming such judgments will succeed in the arbitration market. Arbitrators incapable of this and viewed as biased or partial will disappear from the market.

[T]he crucial question is *not,* as so many believe, whether property rights should be private or governmental, but rather whether the *necessarily* 'private' owners are legitimate owners or criminals. For ultimately, there is no entity called 'government'; there are only people forming themselves into groups called 'governments' and acting in a 'governmental' manner. *All* property is therefore always 'private'; the only and critical question is whether it should reside in the hands of criminals or of the proper and legitimate owners.

— Murray N. Rothbard, The Ethics of Liberty, Chapter 9.

The pattern repeats itself so often that it almost seems to be a law of history: the radicals who change history must do so over the resistance of the moderates, who claim to be friendly to the same cause, but somehow always end up on the side of established interests.

— Lew Rockwell, Moderates and Radicals.



The anarchist is always at a disadvantage in attempting to forecast the shape of the future anarchist society. For it is impossible for observers to predict voluntary social arrangements, including the provision of goods and services, on the free market. Suppose, for example, that this were the year 1874 and that someone predicted that eventually there would be a radio-manufacturing industry. To be able to make such a forecast successfully, does he have to be challenged to state immediately how many radio manufacturers there would be a century hence, how big they would be, where they would be located, what technology and marketing techniques they would use, and so on? Obviously, such a challenge would make no sense, and in a profound sense the same is true of those who demand a precise portrayal of the pattern of protection activities on the market. Anarchism advocates the dissolution of the state into social and market arrangements, and these arrangements are far more flexible and less predictable than political institutions. The most that we can do, then, is to offer broad guidelines and perspectives on the shape of a projected anarchist society.

— Murray N. Rothbard, Society Without A State.

The American model - democracy - must be regarded as a historical error, economically as well as morally. Democracy promotes shortsightedness, capital waste, irresponsibility, and moral relativism. It leads to permanent compulsory income and wealth redistribution and legal uncertainty. It is counterproductive. It promotes demagoguery and egalitarianism. It is aggressive and potentially totalitarian internally, vis-à-vis its own population, as well as externally. In sum, it leads to a dramatic growth of state power, as manifested by the amount of parasitically - by means of taxation and expropriation - appropriated government income and wealth in relation to the amount of productively - through market exchange - acquired private income and wealth, and by the range and invasiveness of state legislation. Democracy is doomed to collapse, just as Soviet communism was doomed to collapse.

— Hans-Hermann Hoppe, Democracy: The God that Failed.

Here is an essential reading list for a free society, a private law society. There are many labels which reflect the same fundamental set of ideas. Some of them include: voluntarism, libertarianism, the natural order, anarcho-capitalism, private-property anarchy, market anarchism, society without a state, or self-government. This is not intended to be a comprehensive list, it is an edited version of a reference list put together by Hans-Hermann Hoppe and posted on LewRockwell.com in 2001. The purpose of which is to provide further resources to address enquiries, specifically the notion of 'how it would work'. Most if not all works are available for free online.

I. Austro-Libertarianism

At the top of any reading list on anarcho-capitalism must be the name Murray N. Rothbard. There would be no anarcho-capitalist movement to speak of without Rothbard. His work has inspired and defined the thinking even of such libertarians such as R. Nozick, for instance, who have significantly deviated from Rothbard, whether methodologically or substantively. Rothbard's entire work is relevant to the subject of anarcho-capitalism, but centrally important are:

The Ethics of Liberty, the most comprehensive presentation and defense of a libertarian law code yet written. Grounded in the tradition of natural law and in its style of axiomatic-deductive reasoning, Rothbard explains the concepts of human rights, self-ownership, original appropriation, contract, aggression, and punishment. He demonstrates the moral unjustifiability of the state, and offers smashing refutations of prominent limited-statist libertarians such as F. A. Hayek, I. Berlin, and R. Nozick.

In For A New Liberty Rothbard applies abstract libertarian principles to solve current welfare-state problems. How would a stateless society provide for goods such as education, money, streets, police, courts, national defense, social security, environmental protection, etc.? Here are the answers.

Power and Market is the most comprehensive theoretical analysis of the inefficiencies and counterproductive effects of every conceivable form of government interference with the market, from price controls, compulsory cartels, anti-trust laws, licenses, tariffs, child labor laws, patents, to any form of taxation (including Henry George's proposed "single tax" on ground land).

The Austro-libertarian tradition inaugurated by Rothbard is continued by Hans-Hermann Hoppe. In Democracy — The God That Failed Hoppe compares monarchy favorably to democracy, but criticizes both as ethically and economically inefficient, and advocates a natural order with competitive security and insurance suppliers. He revises fundamental orthodox historical interpretations, and reconsiders central questions of libertarian strategy. The Economics and Ethics of Private Property includes Hoppe's axiomatic defense of the principle of self-ownership and original appropriation: anyone arguing against these principles is involved in a performative or practical contradiction.

The Myth of National Defense is a collection of essays by an international assembly of social scientists concerning the relationship between State and war and the possibility of non-statist property defense: by militias, mercenaries, guerrillas, protection-insurance agencies, etc. The Private Production of Defense addresses the same issues in a more concise manner.

II. Alternative Approaches to Private Law

The following authors come to similar conclusions but reach them in different ways and varying styles. While Rothbard and Hoppe are natural-rightsers of sorts and praxeologists, there exist also utilitarian, deontic, empiricist, historicist, positivist, and plain eclectic defenders of anarcho-capitalism.

Randy E. Barnett's The Structure of Liberty is an outstanding discussion of the requirements of a liberal-libertarian society from the viewpoint of a lawyer and legal theorist. Heavily influenced by F.A. Hayek, Barnett uses the term "polycentric constitutional order" for anarcho-capitalism.

Bruce L. Benson's The Enterprise of Law is the most comprehensive empirical-historical study of anarcho-capitalism. Benson provides abundant empirical evidence for the efficient operation of market-produced law

and order. Benson's sequel To Serve and Protect is likewise to be recommended.

David D. Friedman's The Machinery of Freedom presents the utilitarian case for anarcho-capitalism: brief, easy to read, and with many applications from education to property protection.

Anthony de Jasay favors a deontic approach to ethics. His writing — in The State, in Choice, Contract, Consent, and the excellent essay collection Against Politics — is theoretical, with a neo-classical, game-theoretic flavor. Brilliant critic of public choice and constitutional economics — and the notion of minarchism.

Morris and Linda Tannehill's The Market for Liberty has a distinctly Randian flavor. However, the authors employ Ayn Rand's pro-state argument in support of the opposite, anarchistic conclusion. Outstanding yet much neglected analysis of the operation of competing security producers (insurers, arbitrators, etc.).

Robert P. Murphy's Chaos Theory argues that free market contractual institutions can supplant the state. The feasibility of the system, as opposed to its desirability is the primary focus. Other short articles from Robert P. Murphy include: The Possibility of Private Law, Law and Appeals in a Free Society, Private Defense Is No Laughing Matter, But Wouldn't Warlords Take Over?, What Are You Calling 'Anarchy'?, Anarchy in Somalia.

The Voluntary City, edited by David T. Beito (University of Alabama), Peter Gordon (University of Southern California), and Alexander Tabarrok (The Independent Institute), is a collection of fifteen articles examining historical and contemporary examples of private delivery of public services. The articles generally challenge the view that government has to provide certain "public goods" because of the market's failure to provide them efficiently.

III. Precursors of Modern Anarcho-Capitalism

The contemporary anarcho-capitalist intellectual movement has a few outstanding 19th and early-20th century precursors. Even when sometimes deficient — the issue of ground land ownership in the tradition of Herbert Spencer and the theory of money and interest in the Spooner-Tucker tradition — the following titles remain indispensable and largely unsurpassed.

Gustave de Molinari's pathbreaking 1849 article The Production of Security is probably the single most important contribution to the modern theory of anarcho-capitalism. Molinari argues that monopoly is bad for consumers, and that this also holds in the case of a monopoly of protection. Demands competition in the area of security production as for every other line of production.

Herbert Spencer's Social Statics is an outstanding philosophical discussion of natural rights in the tradition of John Locke. Spencer defends the right to ignore the state. Also highly recommended are his Principles of Ethics.

Auberon Herbert is a student of Spencer. In The Right and Wrong of Compulsion by the State, Herbert develops the Spencerian idea of equal freedom to its logically consistent anarcho-capitalist end. Herbert is the father of Voluntaryism.

Lysander Spooner is a 19th-century American lawyer and legal theorist. No one who has read "No Treason," included in The Lysander Spooner Reader, will ever see government with the same eyes. Spooner makes mincemeat of the idea of a social contract.

Albert J. Nock is influenced by Franz Oppenheimer. In Our Enemy, the State he explains the anti-social, predatory nature of the state, and draws a sharp distinction between government as voluntarily acknowledged authority and the State. Nock in turn influenced Frank Chodorov, who would influence young Murray Rothbard. In his Fugitive Essays, a collection of pro-market, anti-state political and economic commentary, Chodorov attacks taxation as robbery.

IV. Journal Articles

Gil Guillory & Patrick C. Tinsley produced the remarkable *The Role of Subscription-Based Patrol and Restitution in the Future of Liberty*, where a possible future history for North America is suggested, focusing upon the implications of the establishment of a subscription-based patrol and restitution business sector. The authors examine derived demand for adjudication, mediation and related goods; and we advance the thesis that private adjudication will tend to libertarianly just decisions. We show how firms will actively build civil society, strengthening and coordinating Nisbettian intermediating institutions.

Konrad Graf's *Action-Based Jurisprudence: Praxeological Legal Theory in Relation to Economic Theory, Ethics, and Legal Practice,* is awe inspiring in its clarity and exposition. Action-based legal theory is a discrete branch of praxeology and the basis of an emerging school of jurisprudence related to, but distinct from, natural law. Legal theory and economic theory share content that is part of praxeology itself: the action axiom, the a priori of argumentation, universalizable property theory, and counterfactual-deductive methodology. Praxeological property-norm justification is separate from the strictly ethical "ought" question of selecting ends in an action context. Examples of action-based jurisprudence are found in existing "Austro-libertarian" literature. Legal theory and legal practice must remain distinct and work closely together if justice is to be found in real cases.

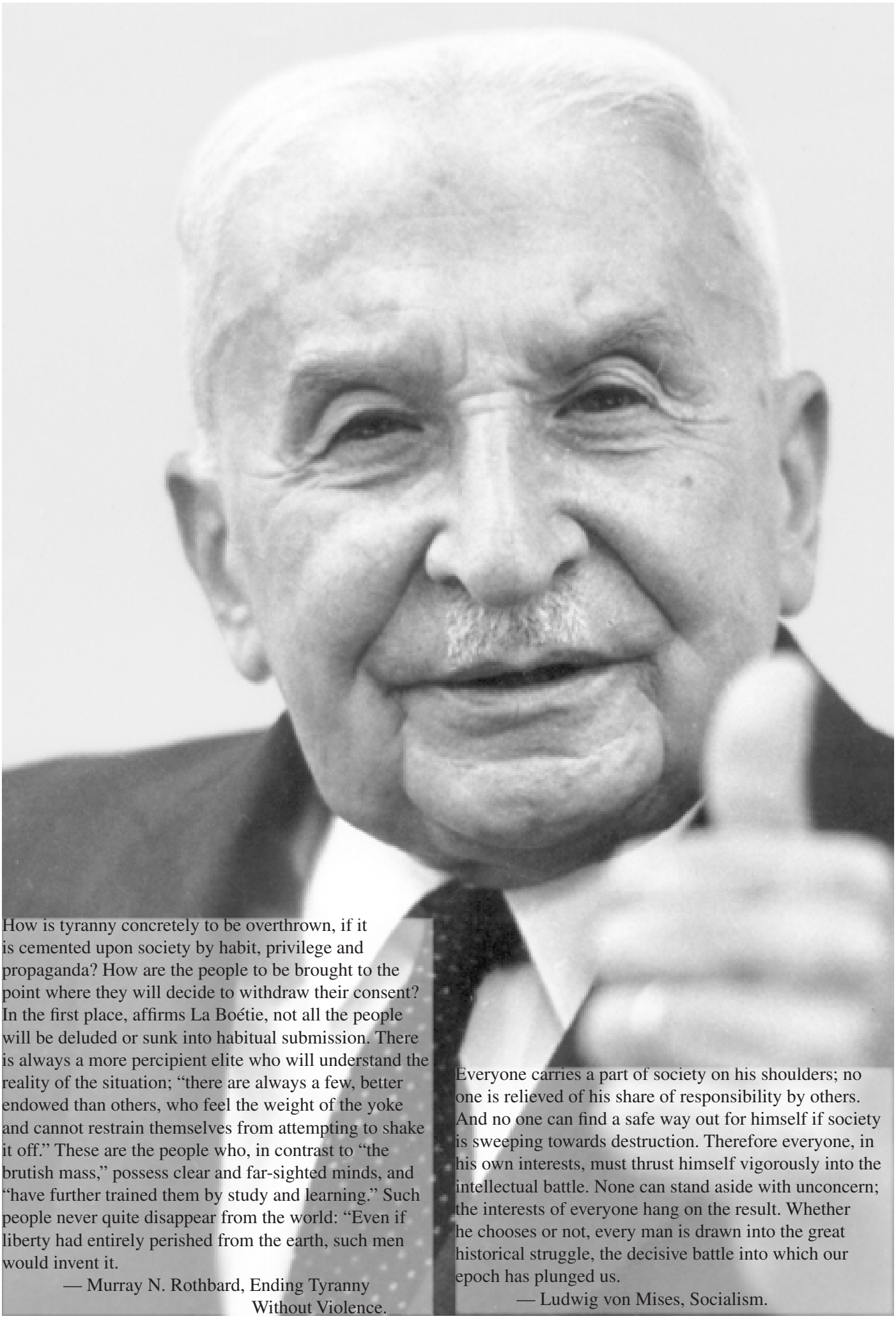
Other recommended articles include:

- Anarchy Unbound, Or: Why Self-Governance Works Better Than You Think by Pete Leeson.
- Justice Entrepreneurship in a Free Market by George H. Smith.
- Market Chosen Law by Edward P. Stringham.
- Private Police: A Note by Patrick Tinsley.
- The Obviousness of Anarchy, as well as The Myth of the Rule of Law by John Hasnas.

V. Historical Case Studies

Historical examples are not often deemed to be very convincing given the points raised in Hey, Mr. Anarcho-Capitalist, Show Me a Society Without Government by Benjamin Marks, The Irrelevance of the 'Impossibility' of Anarcho-Libertarianism by Stephan Kinsella and Why We Couldn't Abolish Slavery Then and Can't Abolish Government Now by Robert Higgs. There are many more, but some of the most well known historical analyses in this area include:

- Property Rights in Celtic Irish Law by Joseph R. Peden.
- Medieval Iceland and the Absence of Government by Thomas Whiston.
- Private Creation and Enforcement of Law: A Historical Case by David Friedman.
- An American Experiment in Anarcho-Capitalism: The Not So Wild, Wild West by Terry L. Anderson and P.J. Hill.
- Pennsylvania's Anarchist Experiment: 1681-1690 by Murray Rothbard.
- The Jurisprudence Of Polycentric Law, and Law Prior to the State by Tom W. Bell.
- Voluntaryism and Protective Agencies in Historical Perspective by Carl Watner.
- The English Experience With Private Protection by Roderick T. Long.



How is tyranny concretely to be overthrown, if it is cemented upon society by habit, privilege and propaganda? How are the people to be brought to the point where they will decide to withdraw their consent? In the first place, affirms La Boétie, not all the people will be deluded or sunk into habitual submission. There is always a more percipient elite who will understand the reality of the situation; "there are always a few, better endowed than others, who feel the weight of the yoke and cannot restrain themselves from attempting to shake it off." These are the people who, in contrast to "the brutish mass," possess clear and far-sighted minds, and "have further trained them by study and learning." Such people never quite disappear from the world: "Even if liberty had entirely perished from the earth, such men would invent it.

— Murray N. Rothbard, Ending Tyranny Without Violence.

Everyone carries a part of society on his shoulders; no one is relieved of his share of responsibility by others. And no one can find a safe way out for himself if society is sweeping towards destruction. Therefore everyone, in his own interests, must thrust himself vigorously into the intellectual battle. None can stand aside with unconcern; the interests of everyone hang on the result. Whether he chooses or not, every man is drawn into the great historical struggle, the decisive battle into which our epoch has plunged us.

— Ludwig von Mises, Socialism.