

enormous quantities of writing paper, but no pens or ink, or vice versa; ... indeed of giving them any absurd combination of goods." But, of course, "... merely giving consumers unbalanced combinations of goods is itself equivalent to a major decline in production, for it represents just as much of a loss in human well-being."<sup>77</sup> The standard of living does not simply depend on some total physical output of production; it depends much more on the proper distribution or proportioning of the various specific production factors in producing a well-balanced composition of a variety of consumer goods. Universal price controls, as the 'ultima ratio' of conservatism, prevent such a well-proportioned composition from being brought about. Order and stability are only seemingly created; in truth they are a means of creating allocational chaos and arbitrariness, and thereby drastically reduce the general standard of living.

In addition, and this leads to the discussion of the second specifically conservative policy instrument, i.e., regulations, even if prices are controlled all-around this can only safeguard an existing order of income and wealth distribution if it is unrealistically assumed that products as well as their producers are "stationary." Changes in the existing order cannot be ruled out, though, if there are new and different products produced, new technologies for producing products are developed, or additional producers spring up. All of this would lead to disruptions in the existing order, as the old products, technologies, and producers, subject as they are to price controls, would then have to compete with new and different products and services (which, since they are new, *cannot* have been price-controlled), and they would probably lose some of their established income-share to the newcomers in the course of this competition. To compensate for such disruptions, conservatism could once again make use of the instrument of taxation, and indeed to some extent it does. But to let innovations occur first without hindrance and to then tax the gains away from the innovators and restore the old order is, as was explained, too progressive an instrument for a policy of conservatism. Conservatism prefers

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<sup>77</sup> G. Reisman, *Government Against the Economy*, New York, 1979, p.141.

*regulations* as a means of preventing or slowing down innovations and the social changes that they bring about.

The most drastic way of regulating the system of production would be simply to outlaw any innovation. Such a policy, it should be noted, has its adherents among those who complain about others' consumerism, i.e., about the fact that today there are already "all too many" goods and services on the market, and who wish to freeze or even reduce this present diversity; and also, for slightly different reasons, among those who want to freeze present production technology out of the fear that technological innovations, as labor-saving devices, would "destroy" (existing) jobs. Nonetheless, an outright prohibition of all innovative change has hardly ever been seriously attempted—perhaps with the recent exception of the Pol Pot regime—because of a lack of support in public opinion which could not be convinced that such a policy would not be extremely costly in terms of welfare losses. Quite popular, though, has been an only slightly more moderate approach: While no change is ruled out in principle, any innovation must be officially approved (approved, that is, by people other than the innovator himself) before it can be implemented. This way, conservatism argues, it is assured that innovations are indeed socially acceptable, that progress is gradual, that it can be introduced simultaneously by all producers, and that everyone can share in its advantages. Compulsory, i.e., government-enforced, cartels are the most popular means for achieving this effect. By requiring all producers, or all producers of one industry, to become members of one supervisory organization—the cartel—it becomes possible to avoid the all-too-visible excess supply brought about by minimum price controls—through the imposition of production quotas. Moreover, the disruptions caused by any innovative measure can then be centrally monitored and moderated. But while this approach has been gaining ground constantly in Europe and to a somewhat lesser degree in the United States, and while certain sectors of the economy are indeed already subject to very similar controls, the most popular and most frequently used conservative-socialist regulatory instrument is still that of establishing predefined standards for predefined categories

of products or producers to which all innovations must conform. These regulations lay down the kind of qualifications a person must fulfill (other than the “normal” ones of being the rightful owner of things and of not damaging the physical integrity of other peoples’ property through one’s own actions) in order to have the right to establish himself as a producer of some sort; or they stipulate the kinds of tests (as regards, for instance, materials, appearance, or measurements) a product of a given type must undergo before being newly allowed on the market; or they prescribe definite checks that any technological improvement must pass in order to become a newly approbated method of production. With such regulatory means innovations can neither be completely ruled out, nor can it be altogether avoided that some changes might even be quite surprising. But as the predefined standards to which changes have to conform must of necessity be “conservative,” i.e., formulated in terms of existing products, producers, or technologies, they serve the purpose of conservatism in that they will indeed at least slow down the speed of innovative changes and the range of possible surprises.

In any case, all these types of regulations, the first mentioned ones more and the latter less, will lead to a reduction in the general standard of living.<sup>78</sup> An innovation, to be sure, can only be successful, and thus allow the innovator to disrupt the existing order of income and wealth distribution, if it is indeed more highly valued by the consumers than the competing old products. The imposition of regulations, however, implies a redistribution of property titles away from the innovators and onto the established producers, products, and technologies. Hence, in fully or partially socializing possible income and wealth gains stemming from innovative changes in the process of production and *mutatis mutandis* by fully or partially socializing the possible losses from not innovating, the

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<sup>78</sup> On the politics and economics of regulation cf. G. Stigler, *The Citizen and the State. Essays on Regulation*, Chicago, 1975; M. N. Rothbard, *Power and Market*, Kansas City, 1977, Chapter 3.3; on licenses cf. also M. Friedman, *Capitalism and Freedom*, Chicago, 1962, Chapter 9.

process of innovation will be slowed down, there will be fewer innovators and innovations, and instead, a strengthened tendency will emerge to settle for the way things are. This means nothing else than that the process of increasing consumer satisfaction by producing more highly evaluated goods and services in more efficient, cost-saving ways is brought to a standstill, or is at least hampered. Thus, even if in a somewhat different way than price controls, regulations will make the production structure fall out of line with demand, too. And while this might help safeguard an existing distribution of wealth, it must once again be paid for by a general decline in the overall wealth that is incorporated in this very same production structure.

Finally, the third specifically conservative policy instrument is behavioral controls. Price controls and regulations freeze the supply side of an economic system and thereby separate it from demand. But this does not preclude changes in demand from coming into existence; it only makes the supply side irresponsible to it. And so it can still happen that discrepancies not only emerge, but that they also become appallingly apparent as such. Behavioral controls are policy measures designed to control the demand side. They aim at the prevention or retardation of changes in demand in order to make the irresponsiveness of the supply side less visible, thereby completing the task of conservatism: the preservation of an existing order from disruptive changes of any kind.

Price controls and regulations on one side, and behavioral controls on the other are thus the two complementary parts of a conservative policy. And of these two complementary sides of conservatism, it might well be argued that it is the side of behavioral controls that is the most distinctive feature of a conservative policy. Though the different forms of socialism favor different categories of nonproductive and noninnovative people at the expense of different categories of potential producers and innovators, just as much as any other variant of socialism conservatism tends to produce less productive, less innovative people, forcing them to increase consumption or channel their productive and innovative energies

into black markets. But of all the forms of socialism, it is only conservatism which as part of its program interferes directly with consumption and noncommercial exchanges. (All other forms, to be sure, have their effect on consumption, too, insofar as they lead to a reduction in the standard of living; but unlike conservatism, they leave the consumer pretty much alone with whatever is left for him to consume.) Conservatism not only cripples the development of one's productive talents; under the name "paternalism" it also wants to freeze the behavior of people in their roles as isolated consumers or as exchange partners in noncommercial forms of exchanges, thereby stifling or suppressing one's talent to develop a consumer lifestyle that best satisfies one's recreational needs, too.

Any change in the pattern of consumer behavior has its economic side effects. (If I let my hair grow longer this affects the barbers and the scissors industry; if more people divorce this affects lawyers and the housing market; if I start smoking marijuana this has consequences not only for the use of agricultural land but also for the ice cream industry, etc.; and above all, all such behavior disequilibrates the existing value system of whoever happens to feel affected by it.) Any change could thus appear to be a disruptive element vis à vis conservative production structure, conservatism, in principle, would have to consider *all* actions—the whole lifestyle of people in their roles as individual consumers or noncommercial exchangers as proper objects of behavioral controls. Full-blown conservatism would amount to the establishment of a social system in which everything except the traditional way of behaving (which is explicitly allowed) is outlawed. In practice, conservatism could never go quite this far, as there are costs connected with controls and as it would normally have to reckon with rising resistance in the public opinion. "Normal" conservatism, then, is characterized instead by smaller or greater numbers of specific laws and prohibitions which outlaw and punish various forms of nonaggressive behavior of isolated consumers, or of people engaging in noncommercial exchanges—of actions, that is to say, which if indeed performed, would neither change the physical integrity of anyone else's property, nor violate anyone's right to refuse any exchange

that does not seem advantageous, but which would rather (only) disrupt the established “paternal” order of social values.

Once again the effect of such a policy of behavioral controls is, in any case, relative impoverishment. Through the imposition of such controls not only is one group of people hurt by the fact that they are no longer allowed to perform certain nonaggressive forms of behavior but another group benefits from these controls in that they no longer have to tolerate such disliked forms of behavior. More specifically, the losers in this redistribution of property rights are the user-producers of the things whose consumption is now hampered, and those who gain are nonusers/nonproducers of the consumer goods in question. Thus, a new and different incentive structure regarding production or nonproduction is established and applied to a given population. The production of consumer goods has been made more costly since their value has fallen as a consequence of the imposition of controls regarding their use, and, *mutatis mutandis*, the acquisition of consumer satisfaction through nonproductive, noncontractual means has been made relatively less costly. As a consequence, there will be less production, less saving and investing, and a greater tendency instead to gain satisfaction at the expense of others through political, i.e., aggressive, methods. And, in particular, insofar as the restrictions imposed by behavioral controls concern the use that a person can make of his own body, the consequence will be a lowered value attached to it and, accordingly, a reduced investment in human capital.

With this we have reached the end of the theoretical analysis of conservatism as a special form of socialism. Once again, in order to round out the discussion a few remarks which might help illustrate the validity of the above conclusions shall be made. As in the discussion of social-democratic socialism, these illustrative observations should be read with some precautions: first, the validity of the conclusions reached in this chapter has been, can, and must be established independent of experience. And second, as far as experience and empirical evidence are concerned, there are unfortunately no examples of societies that could be studied for the effects

of conservatism as compared to the other variants of socialism and capitalism. There is no quasi-experimental case study which alone could provide one with what is normally considered “striking” evidence. Reality is rather such that all sorts of policy measures—conservative, social-democratic, Marxist-socialist, and also capitalist-liberal—are so mixed and combined, that their respective effects cannot usually be neatly matched with definite causes, but must be disentangled and matched once more by purely theoretical means.

With this in mind, though, something might well be said about the actual performance of conservatism in history. Once more, the difference in the living standards between the United States and the countries of Western Europe (taken together) permits an observation that fits the theoretical picture. Surely, as mentioned in the previous chapter, Europe has more redistributive socialism—as indicated roughly by the overall degree of taxation—than the United States, and is poorer because of this. But more striking still is the difference that exists between the two with respect to the degree of conservatism.<sup>79</sup> Europe has a feudal past that is noticeable to this very day, in particular in the form of numerous regulations that restrict trade and hamper entry and prohibitions of nonaggressive actions, whereas the United States is remarkably free of this past. Connected with this is the fact that for long periods during the nineteenth and twentieth centuries, Europe had been shaped by policies of more or less explicitly conservative parties rather than by any other political ideology, whereas a genuinely conservative party never existed in the United States. Indeed, even the socialist parties of Western Europe were infected to a notable extent by conservatism, in particular under the influence of the labor unions, and imposed numerous conservative-socialist elements (regulations and price controls, that is) on the European societies during their periods of influence (while they admittedly helped abolish some of

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<sup>79</sup> Cf. also B. Badie and P. Birnbaum, *The Sociology of the State*, Chicago, 1983, esp. pp.107f.

the conservative behavioral controls). In any case then, given that Europe is more socialist than the United States and its living standards are relatively lower, this is due less to the greater influence of social-democratic socialism in Europe and more to the influence of the socialism of conservatism—as indicated not so much by its higher overall degrees of taxation, but rather by the significantly higher numbers of price controls, regulations, and behavioral controls in Europe. I should hasten to add that the United States is not richer than it actually is and no longer exhibits its nineteenth century economic vigor not only because they adopted more and more of redistributive socialism's policies over time, but more so because they, too, increasingly fell prey to the conservative ideology of wanting to protect a status quo of income and wealth distribution from competition, and in particular the position of the haves among existing producers, by means of regulations and price controls.<sup>80</sup>

On even a more global level, another observation fits the theoretically derived picture of conservatism causing impoverishment. For outside the so-called Western world, the only countries that match the miserable economic performance of the outrightly Marxist-socialist regimes are precisely those societies in Latin America and Asia that have never seriously broken with their feudal past. In these societies, vast parts of the economy are even now almost completely exempt from the sphere and the pressure of freedom and competition and are instead locked in their traditional position by regulatory means, enforced, as it were, by outright aggression.

On the level of more specific observations the data also clearly indicate what the theory would lead one to expect. Returning to Western Europe, there can be little doubt that of the major European countries, Italy and France are the most conservative, especially if compared with the northern nations which, as far as

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<sup>80</sup> Cf. on this R. Radosh and M. N. Rothbard (eds.), *A New History of Leviathan*, New York, 1972.

socialism is concerned, have been leaning more toward its redistributive version.<sup>81</sup> While the level of taxation in Italy and France (state expenditure as part of GNP) is not higher than elsewhere in Europe, these two countries clearly exhibit more conservative-socialist elements than can be found anywhere else. Both Italy and France are studded with literally thousands of price controls and regulations, making it highly doubtful that there is any sector in their economies that can be called “free” with some justification. As a consequence (and as could have been predicted), the standard of living in both countries is significantly lower than that of northern Europe, as anyone who is not traveling exclusively in resort towns cannot fail to notice. In both countries, to be sure, one objective of conservatism seems to have been reached: the differences between the haves and the have-nots have been well-preserved—one will hardly find as extreme income and wealth differentials in West Germany or the United States as in Italy or France—but the price is a relative drop in social wealth. As a matter of fact, this drop is so significant that the standard of living for the lower and lower-middle class in both countries is at best only a bit higher than that in the more liberalized countries of the East bloc. And the southern provinces of Italy, in particular, where even more regulations have been piled on top of those valid everywhere in the country, have just barely left the camp of the third world nations.

Finally, as a last example that illustrates the impoverishment caused by conservative policies, the experience with national-socialism in Germany and to a lesser degree with Italian fascism should be mentioned. It is often not understood that both were conservative-socialist movements.<sup>82</sup> It is as such, i.e., as movements directed against the change and the social disruptions brought about by the dynamic forces of a free economy, that they—other than Marxist-socialist movements—could find

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<sup>81</sup> Cf. Badie and Birnbaum, *The Sociology of the State*, Chicago, 1983.

<sup>82</sup> Cf. L. v. Mises, *Omnipotent Government*, New Haven, 1944; F. A. Hayek, *The Road to Serfdom*, Chicago, 1956; W. Hock, *Deutscher Antikapitalismus*, Frankfurt/M, 1960.

support among the class of established proprietors, shop owners, farmers and entrepreneurs. But to derive from this the conclusion that it must have been a pro-capitalist movement or even the highest stage in the development of capitalism before its final demise, as Marxists normally do, is entirely wrong. Indeed, fascism's and Nazism's most fervently abhorred enemy was not socialism as such, but liberalism. Of course, both also despised the socialism of the Marxists and Bolsheviks, because at least ideologically they were internationalists and pacifists (relying on the forces of history that would lead to a destruction of capitalism from within), while fascism and Nazism were nationalist movements devoted to war and conquest; and, probably even more important regarding its public support, because Marxism implied that the haves would be expropriated by the have-nots and the social order thus would be turned upside-down, while fascism and Nazism promised to preserve the given order.<sup>83</sup> But, and this is decisive for their classification as socialist (rather than capitalist) movements, to pursue this goal implies—as has been explained in detail above—just as much a denial of the rights of the individual user-owner of things to do with them whatever seems best (provided one does not physically damage another's property or engage in noncontractual exchanges), and just as much an expropriation of natural owners by "society" (that is, by people who neither produced nor contractually acquired the things in question) as does the policy of Marxism. And indeed, in order to reach this goal both fascism and Nazism did exactly what their classification as conservative-socialist would have led one to expect: they established highly controlled and regulated economies in which private ownership was still existent in name, but had in fact become meaningless, since the right to determine the use of the things owned had been almost completely lost to political institutions. The Nazis, in particular, imposed a system of almost complete price controls (including wage controls), devised the institution of four-year

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<sup>83</sup> Cf. one of the foremost representatives of the German "Historical School," the "Kathedersozialist" and naziapologist: W. Sombart, *Deutscher Sozialismus*, Berlin, 1934.

plans (almost like in Russia, where the plans spanned the period of five years) and established economic planning and supervising boards which had to approve all significant changes in the production structure. An “owner” could no longer decide what to produce or how to produce it, from whom to buy or to whom to sell, what prices to pay or to charge, or how to implement any changes. All this, to be sure, created a feeling of security. Everyone was assigned a fixed position, and wage-earners as well as owners of capital received a guaranteed, and in nominal terms, stable or even growing income. In addition, giant forced labor programs, the reintroduction of conscription, and finally the implementation of a war economy strengthened the illusion of economic expansion and prosperity.<sup>84</sup> But as would have to be expected from an economic system that destroys a producer’s incentive to adjust to demand and avoid not adjusting to it, and that thereby separates demand from production, this feeling of prosperity proved to be nothing but an illusion. In reality, in terms of the goods that people could buy for their money the standard of living fell, not only in relative but even in absolute terms.<sup>85</sup> And in any case, even disregarding here all of the destruction that was caused by the war, Germany and to a lesser extent Italy were severely impoverished after the defeat of the Nazis and fascists.

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<sup>84</sup> Cf. W. Fischer, *Die Wirtschaftspolitik Deutschlands 1918-45*, Hannover, 1961; W. Treue, *Wirtschaftsgeschichte der Neuzeit*, vol. 2, Stuttgart, 1973; R. A. Brady, “Modernized Cameralism in the Third Reich: The Case of the National Industry Group,” in: M. I. Goldman (ed.), *Comparative Economic Systems*, New York, 1971.

<sup>85</sup> The average gross income of employed persons in Germany in 1938 (last figure available) was (in absolute terms, i.e., not taking inflation into account!) still lower than that of 1927. Hitler then started the war and resources were increasingly shifted from civilian to non-civilian uses, so that it can safely be assumed that the standard of living decreased even further and more drastically from 1939 on. Cf. *Statistisches Jahrbuch fuer die BRD*, 1960, p.542; cf. also V. Trivanovitch, *Economic Development of Germany Under National Socialism*, New York, 1937, p.44.





## Chapter 6

# The Socialism of Social Engineering and The Foundations of Economic Analysis

In light of the theoretical arguments presented in the preceding chapters it appears that there is no economic justification for socialism. Socialism promised to bring more economic prosperity to the people than capitalism, and much of its popularity is based on this promise. The arguments brought forward, though, have proved that the opposite is true. It has been shown that Russian-type socialism, characterized by nationalized or socialized means of production, necessarily involves economic waste since no prices for factors of production would exist (because means of production would not be allowed to be bought or sold), and hence no cost-accounting (which is the means for directing scarce resources with alternative uses into the most value-productive lines of production) could be accomplished. And as regards social-democratic and conservative socialism, it has been demonstrated that in any event, both imply a rise in the costs of production and, *mutatis mutandis*, a decline in the costs of its alternative, i.e., non-production or black-market production, and so would lead to a relative reduction in the production of wealth, since both

versions of socialism establish an incentive structure that (compared to a capitalist system) relatively favors nonproducers and noncontractors over producers and contractors of goods, products and services.

Experience, too, supports this. By and large, living standards in the East European countries are significantly lower than in Western Europe, where the degree to which the socialization of means of production that has taken place, though certainly remarkable, is relatively much lower. Also, wherever one extends the degree of redistributive measures and the proportion of produced wealth that is redistributed is increased, as, for instance, in West Germany during the 1970s under social-democratic liberal government coalitions, there is a retardation in the social production of wealth or even an absolute reduction in the general standard of living. And wherever a society wants to preserve the status quo, that is, a given income and wealth distribution, by means of price controls, regulations, and behavioral controls—as, for instance, in Hitler's Germany or present-day Italy and France—the living standards will constantly fall further behind those of more liberal (capitalist) societies.

Nonetheless, socialism is very much alive and well, even in the West where social-democratic socialism and conservatism have remained powerful ideologies. How could this come about? One important factor is that its adherents abandoned the original idea of socialism's economic superiority and instead, resorted to a completely different argument: that socialism might not be economically superior but is morally preferable. This claim will be considered in Chapter 7. But that is certainly not the end of the story. Socialism has even regained strength in the field of economics. This became possible because socialism combined its forces with the ideology of empiricism, which traditionally has been strong in the Anglo-Saxon world and which, in particular through the influence of the so-called Vienna-circle of positivist philosophers, became the dominant philosophy-epistemology-methodology of the twentieth century, not only in the field of the natural sciences but also in the social sciences and economics. This applies not only to the philosophers

and methodologists of these sciences (who, incidentally, have since freed themselves from the spell of empiricism and positivism) but probably even more so to the practitioners (who are still very much under its influence). Combining its force with empiricism or positivism, which includes for our purposes the so-called critical rationalism of K. R. Popper and his followers, socialism developed into what will henceforth be called the "socialism of social engineering."<sup>86</sup> It is a form of socialism very different in its style of reasoning from traditional Marxism, which was much more rationalistic and deductive—one that Marx had adopted from the classical economist D. Ricardo, the most important source for Marx's own economic writings. But it seems to be precisely because of this difference in style that the socialism of social-engineering has been able to win more and more support from the traditional camps of social-democratic and conservative socialists. In West Germany, for instance, the ideology of "piecemeal social engineering," as K. R. Popper has called his social philosophy,<sup>87</sup> has now become something like the common ground of "moderates" in all political parties, and only doctrinaires, so it seems, of either side do not subscribe to it. The former SPD-chancellor Helmut Schmidt even publicly endorsed Popperianism as his own philosophy.<sup>88</sup> However, it is in the United States that this philosophy is probably more deeply rooted, as it is almost custom-tailored to the American way of thinking in terms of practical problems and pragmatic methods and solutions.

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<sup>86</sup> Of. on the classical positivist position A.J. Ayer, *Language, Truth and Logic*, New York, 1950; on critical rationalism K. R. Popper, *Logic of Scientific Discovery*, London, 1959; *Conjectures and Refutations*, London, 1969; and *Objective Knowledge*, Oxford, 1973; on representative statements of empiricism-positivism as the appropriate methodology of economics cf. e.g. M. Blaug, *The Methodology of Economics*, Cambridge, 1980; T. W. Hutchinson, *The Significance and Basic Postulates of Economic Theory*, London, 1938; and *Positive Economics and Policy Objectives*, London, 1964; and *Politics and Philosophy of Economics*, New York, 1981; also M. Friedman, "The Methodology of Positive Economics," in: M. Friedman, *Essays in Positive Economics*, Chicago, 1953; H. Albert, *Marktsoziologie und Entscheidungslö-  
slogik*, Neuwied, 1967.

<sup>87</sup> On piecemeal social engineering cf. K. R. Popper, *The Poverty of Historicism*, London, 1957.

<sup>88</sup> Cf. G. Luehrs (ed.), *Kritischer Rationalismus und Sozialdemokratie*, 2 vols., Bonn, 1975-76.

How *could* empiricism-positivism help save socialism? On a highly abstract level the answer should be clear. Empiricism-positivism must be able to provide reasons why all the arguments given so far have failed to be decisive; it must try to prove how one can avoid drawing the conclusions that I have drawn and still claim to be rational and to operate in accordance with the rules of scientific inquiry. But how, in detail, can this be accomplished? On this the philosophy of empiricism and positivism offers two seemingly plausible arguments. The first and indeed the most central of its tenets is this:<sup>89</sup> knowledge regarding reality, which is called empirical knowledge, must be verifiable or at least falsifiable by experience; and experience is always of such a type that it could, in principle, have been other than it actually was so that no one could ever know in advance, i.e., before actually having had some particular experience, if the outcome would be one way or another. If, *mutatis mutandis*, knowledge is not verifiable or falsifiable by experience, then it is not knowledge about anything real—*empirical* knowledge, that is—but simply knowledge about words, about the use of terms, about signs and transformational rules for them—or *analytical* knowledge. And it is highly doubtful that analytical knowledge should be ranked as “knowledge” at all.

If one assumes this position, as I will do for the moment, it is not difficult to see how the above arguments could be severely rebuffed. The arguments regarding the impossibility of economic calculation and the cost-raising character of social-democratic or conservative measures necessarily leading to a decline in the production of goods and services and hence to reduced standards of living evidently claimed to be valid *a priori*, i.e., not falsifiable by any kind of experience, but rather known to be true prior to any later experiences. Now if this were indeed true, then according to the first and central tenet of empiricism-positivism, this argument could not contain any information about reality, but instead would have to be considered idle verbal quibbling—an exercise in

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<sup>89</sup> On the following cf. M. Hollis and E. Nell, *Rational Economic Man*, Cambridge, 1975, pp.3ff.

tautological transformations of words such as “cost,” “production,” “output of production,” “consumption”—which do not say anything about reality. Hence, empiricism concludes that insofar as reality, i.e., the *real* consequences of *real* socialism, is concerned, the arguments presented thus far carry no weight whatsoever. Rather, in order to say anything convincing about socialism, experience and experience alone would have to be the decisive thing to consider.

If this were indeed true (as I will still assume), it would at once dispose of all of the economic arguments against socialism which I have presented as being of a categorical nature. There simply could not be anything categorical about reality. But even then, wouldn't empiricism-positivism still have to face up to the real experiences with real socialism and wouldn't the result of this be just as decisive? In the preceding chapters, much more emphasis was placed on logical, principle, categorical (all used synonymously here) reasons directed against socialism's claims of offering a more promising way to economic prosperity than through capitalism; and experience was cited only loosely in order to illustrate a thesis whose validity could ultimately have been known independent of illustrative experience. Nonetheless, wouldn't even the somewhat unsystematically cited experience be sufficient to make a case against socialism?

The answer to these questions is a decisive “no.” The second tenet of empiricism-positivism explains why. It formulates the extension or rather the application of the first tenet to the problem of causality and causal explanation or prediction. To causally explain or predict a real phenomenon is to formulate a statement of either the type “if A, then B” or, should the variables allow quantitative measurement, “if an increase (or decrease) of A, then an increase (or decrease) of B.” As a statement referring to reality (with A and B being real phenomena), its validity can never be established with certainty, i.e., by examination of the proposition alone or of any other proposition from which the one in question could in turn be logically deduced, but will always be and remain hypothetical, depending on the outcome of future experiences which

cannot be known in advance. Should experience confirm a hypothetical causal explanation, i.e., should one observe an instance where B indeed followed A, as predicted, this would not prove that the hypothesis is true, since A and B are general, abstract terms ("universals," as opposed to "proper names") which refer to events or processes of which there are (or, at least *might*, in principle, be) an indefinite number of instances, and hence later experiences could still possibly falsify it. And if an experience falsified a hypothesis, i.e., if one observed an instance of A that was not followed by B, this would not be decisive either, as it would still be possible that the hypothetically related phenomena were indeed causally linked and that some other previously neglected and uncontrolled circumstance ("variable") had simply prevented the hypothesized relationship from being actually observed. A falsification would only prove that the particular hypothesis under investigation was not completely correct as it stood, but rather needed some refinement, i.e., some specification of additional variables which one would have to watch out for and control in order to be able to observe the hypothesized relationship between A and B. But to be sure, a falsification would never prove once and for all that a relationship between some given phenomena did not exist.

Given that this empiricist-positivist position on causal explanation is correct, it is easy to see how socialism could be rescued from empirically justified criticism. Of course, a socialist-empiricist would not deny the facts. He would not argue that there indeed is a lower standard of living in Eastern than in Western Europe, and that increased taxation or a conservative policy of regulations and controls have indeed been found to correlate with a retardation or shrinking in the production of economic wealth. But within the boundaries of his methodology he could perfectly well deny that based on such experiences a principled case against socialism and its claim of offering a more promising path toward prosperity could be formulated. He could, that is to say, play down the (seemingly) falsifying experiences, and any other that might be cited, as merely accidental; as experiences that had been produced by some unfortunately neglected and uncontrolled circumstances which would

disappear and indeed turn into its very opposite, revealing the true relationship between socialism and an increased production of social wealth, as soon as these circumstances had been controlled. Even the striking differences in the standard of living between East and West Germany—the example that I stressed so heavily because it most closely resembles that of a controlled social experiment—could thus be explained away: in arguing, for instance, that the higher living standards in the West must be explained not by its more capitalist mode of production, but by the fact that Marshall aid had streamed into West Germany while East Germany had to pay reparations to the Soviet Union; or by the fact that from the very beginning, East Germany encompassed Germany's less developed, rural, agricultural provinces and so had never had the same starting point; or that in the eastern provinces the tradition of serfdom had been discarded much later than in the western ones and so the mentality of the people was indeed different in both East and West Germany, etc.

In fact, whatever empirical evidence one brings forward against socialism, as soon as one adopts the empiricist-positivist philosophy, i.e., as soon as the idea of formulating a *principled* case either in favor of or against socialism is dropped as in vain and ill-conceived, and it is instead only admitted that one can, of course, err with respect to the *details* of some socialist policy plan but would then be flexible enough to amend certain points in one's policy whenever the outcome was not satisfactory, socialism is made immune to any decisive criticism, because any failure can always be ascribed to some as yet uncontrolled intervening variable. Not even the most perfectly conducted, controlled experiment, it should be noted, could change this situation a bit. It would never be possible to control all variables that might conceivably have some influence on the variable to be explained—for the practical reason that this would involve controlling literally all of the universe, and for the theoretical reason that no one at any point in time could possibly know what all the variables *are* which make up this universe. This is a question whose answer must permanently remain open to newly discovered and discerned experiences.

Hence, the above characterized immunization strategy would work without exception and unfailingly. And since, as we know from the writings of the empiricists themselves, and in particular those of D. Hume, there exists no “band” that one could observe to connect visibly certain variables as causes and effects,<sup>90</sup> it should be noted that there would be no way whatsoever to exclude any variable as a possible disturbing influence from the outset without indeed trying it out and controlling it. Not even the seemingly most absurd and ridiculous variables, such as, for instance, differences in weather, or a fly passing by in one case but not in the other, could be ruled out in advance; all that could be done would be to point to experience again. (“Flies passing or not passing by never made a difference for the outcome of an experiment.”) But according to the empiricist doctrine itself, this experience, referring as it does only to past instances, would once again not help decide the matter definitively, and a reference to it would only amount to a begging of the question.

No matter what the charges brought against socialism are, then, as long as they are based on empirical evidence the empiricist-socialist could argue that there is no way of knowing in advance what the results of a certain policy scheme will be without actually enacting it and letting experience speak for itself. And whatever the observable results are, the original socialist idea—the “hard-core” of one’s “research programme” as the neo-Popperian philosopher Lakatos would have called it<sup>91</sup>—can always be rescued easily by pointing out some previously neglected, more or less plausible variable, whose noncontrol is hypothesized to be responsible for the negative result, with the newly revised hypothesis again

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<sup>90</sup> Cf. D. Hume, *A Treatise of Human Nature and Enquiry Concerning Human Understanding*, in Selby-Bigge (ed.), *Hume’s Enquiries*, Oxford, 1970; also H. H. Hoppe, *Handeln und Erkennen*, Bern, 1976

<sup>91</sup> Cf. I. Lakatos, “Falsification and the Methodology of Scientific Research Programmes,” in: Lakatos and Musgrave (eds.), *Criticism and the Growth of Knowledge*, Cambridge, 1970.

needing to be tried out indefinitely, *ad infinitum*.<sup>92</sup> Experience only tells us that a particular socialist policy scheme did not reach the goal of producing more wealth; but it can never tell us if a slightly different one will produce any different results, or if it is possible to reach the goal of improving the production of wealth by any socialist policy at all.

I have now reached the point in my argument where I shall challenge the validity of these two central tenets of empiricism-positivism. What is wrong with them, and why cannot even empiricism help save socialism? The answer will be given in three stages. First, I will demonstrate that the empiricist position proves to be self-defeating at closer analysis because it itself must at least implicitly assume and presuppose the existence of non-empirical knowledge as knowledge about reality. This being mainly a destructive task, I will then have to address the question of how it is possible to have or conceive of knowledge that informs about reality, but which is not itself subject to confirmation or falsification by experience. And thirdly, I will show that such knowledge not only is conceivable and must be presupposed but that there are positive instances of it which serve as the firm epistemological foundation on which the economic case against socialism can be and indeed all along has been built.

In spite of the apparent plausibility of empiricism's central ideas, it might be noted at the very outset that even on the level of intuition things do not seem to be exactly the way empiricism would want them to be. It certainly is not evident that logic, mathematics, geometry, and also certain statements of pure economics, like the law of supply and demand or the quantity theory of money, because they do not allow any falsification by experience, or rather because their validity is independent of experience, do not give

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<sup>92</sup> All of this has been brought home to Popperianism, mainly by T. S. Kuhn, *The Structure of Scientific Revolutions*, Chicago, 1964; and it was then P. Feyerabend who drew the most radical conclusion: to throw out science's claim to rationality altogether, and to embrace nihilism under the banner "everything goes" (P. Feyerabend, *Against Method*, London, 1978; and *Science in a Free Society*, London, 1978). For a critique of this unfounded conclusion cf. note 105 below.

us any information about reality but are merely verbal quibble. The opposite seems much more plausible: that the propositions advanced by these disciplines—for instance, a statement of geometry such as “If a straight line S and a circle C have more than one point in common then S has exactly two points in common with C,” or a statement more closely related to the field of action with which I am concerned here, such as “One cannot have his cake and eat it, too”—do in fact inform about reality and inform about what cannot possibly be different in reality at pain of contradiction.<sup>93</sup> If I had a cake and ate it, it can be concluded that I do not have it anymore—and this clearly is a conclusion that informs about reality without being falsifiable by experience.

But much more important than intuition, of course, is reflexive analysis, and this will prove the empiricist position to be simply self-defeating. If it were true that empirical knowledge must be falsifiable by experience and that analytical knowledge, which is not so falsifiable, thus cannot contain any empirical knowledge, then what kind of statement is this fundamental statement of empiricism *itself*? It must again be either analytical or empirical. If analytical, then according to its own doctrine this proposition is nothing but some scribbling on paper, hot air, entirely void of any meaningful content. It is only because the terms used in the statement such as “knowledge,” “experience,” “falsifiable,” etc., have already been given some meaningful interpretation that this might at first be overlooked. But the entire meaninglessness of analytical statements follows conclusively from the empiricist-positivist ideology. Of course, and this is the first self-defeating trap, if this were true, then empiricism could not even say and mean what it seems to say and mean; it would be no more than a rustling of leaves in the wind. To mean anything at all, an interpretation must be given to the terms used, and an interpretation of terms, to be sure, is always (as long as one expression cannot be explained in terms of another one) a practical affair; an

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<sup>93</sup> Cf. on this and the following A. Pap, *Semantics and Necessary Truth*, New Haven, 1958; M. Hollis and E. Nell, *Rational Economic Man*, Cambridge, 1975; B. Blanshard, *Reason and Analysis*, La Salle, 1964.

affair, that is, in which the usage of a term is practiced and learned with real instances of the concept designated by the term, and by which a term is thus tied to reality.<sup>94</sup> However, not just any arbitrary interpretation would do: “falsifiable,” for instance, does not mean what one means by “red” or “green.” In order to say what empiricism-positivism evidently wants to say when formulating its basic tenets, the terms must be given the meaning that they actually have for the empiricist as well as for those whom he wants to convince of the appropriateness of his methodology. But if the statement indeed means what we thought it did all along, then it evidently contains information about reality. As a matter of fact it informs us about the fundamental structure of reality: that there is nothing in it that can be known to be true in advance of future confirming or falsifying experiences. And if *this* proposition now is taken to be *analytical*, i.e., as a statement that does not allow falsification but whose truth can be established by an analysis of the meanings of the terms used alone, as has been assumed for the moment, then one has no less than a glaring contradiction at hand and empiricism once again proves to be self-defeating.<sup>95</sup>

Hence, it seems that empiricism-positivism would have to choose the other available option and declare its central creed itself to be an *empirical* statement. But then, clearly, the empiricist position would no longer carry any weight whatsoever: after all, the fundamental proposition of empiricism serving as the basis from which all sorts of rules of correct scientific inquiry are derived could be wrong, and no one could ever be sure if it was or was not so. One could equally well claim the exact opposite and within the confines of empiricism there would be no way of deciding

<sup>94</sup> Cf. on this W. Kamlah and P. Lorenzen, *Logische Propädeutik*, Mannheim, 1967.

<sup>95</sup> Cf. L. v. Mises, *The Ultimate Foundation of Economic Science*, Kansas City, 1978, p.5: “The essence of logical positivism is to deny the cognitive value of a priori knowledge by pointing out that all a priori propositions are merely analytic. They do not provide new information, but are merely verbal or tautological ... Only experience can lead to synthetic propositions. There is an obvious objection against this doctrine, viz., that this proposition is in itself a—as the present writer thinks, false—synthetic a priori proposition, for it can manifestly not be established by experience.”

which position was right or wrong. Indeed, if its central tenet were declared an empirical proposition, empiricism would cease to be a *methodo-logy*—a *logic* of science—together, and would be no more than a completely arbitrary verbal convention for calling certain (arbitrary) ways of dealing with certain statements certain (arbitrary) names. It would be a position void of any justification of why it, rather than any other one, should be adopted.<sup>96</sup>

However, this is not all that can be mustered against empiricism, even if the second available alternative is chosen. Upon closer inspection this escape route leads to another trap of self-defeat. Even if this route were chosen, it can be shown that the empiricist-positivist position must tacitly presuppose the existence of nonempirical knowledge as “real” knowledge. In order to realize this, let it be assumed that a causal explanation relating two or more events has been found to fit one particular instance of experiences regarding such events, and is then applied to a second instance, presumably to undergo some further empirical testing. Now, one should ask oneself what is the presupposition which must be made in order to relate the second instance of experience to the first as either confirming or falsifying it? At first it might seem almost self-evident that if in the second instance of experience the observations of the first were repeated, this would be a confirmation, and if not, a falsification—and clearly, the empiricist methodology assumes this to be evident, too, and does not require further explanation. But this is not true.<sup>97</sup> Experience, it should be noted, only reveals that two or more observations regarding the temporal sequence of two or more types of events can be “neutrally” classified as “repetition” or “nonrepetition.” A neutral repetition only becomes a “positive”

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<sup>96</sup> M. Hollis and E. Nell remark: “Since every significant statement is, for a positivist, analytic or synthetic and none is both, we can ask for a classification . . . . We know of no positivist who has tried to produce empirical evidence for statements of (the sort in question). Nor can we see how to do so, unless by arguing that this is a matter of fact how people use terms . . . which would prompt us to ask simply ‘So what?’” (M. Hollis and E. Nell, *Rational Economic Man*, Cambridge, 1975, p. 110).

<sup>97</sup> Cf. on this H. H. Hoppe, *Kritik der kausalwissenschaftlichen Sozialforschung*, Opladen, 1983; and “Is Research Based on Causal Scientific Principles Possible in the Social Sciences,” in *Ratio*, XXV, 1, 1983.

confirmation and a nonrepetition a “negative” falsification if, independent of what can actually be discovered by experience, it is assumed that there are constant causes which operate in time-invariant ways. If, contrary to this, it is assumed that causes in the course of time might operate sometimes this way and sometimes that way, then these repetitive or nonrepetitive occurrences simply are and remain neutrally registered experiences, completely independent of one another, and are not in any way logically related to each other as confirming or falsifying one another. There is one experience and then there is another, they are the same or they are different, but that is all there is to it; nothing else follows.

Thus, the prerequisite of being able to say “falsify” or “confirm” is the constancy principle: the conviction that observable phenomena are in principle determined by causes that are constant and time-invariant in the way they operate, and that in principle contingency plays no part in the way causes operate. Only if the constancy principle is assumed to be valid does it follow from any failure to reproduce a result that there is something wrong with an original hypothesis; and only then can a successful reproduction indeed be interpreted as a confirmation. For only if two (or more) events are indeed cause and effect *and* causes operate in a time-invariant way must it be concluded that the functional relationship to be observed between causally related variables *must* be the same in all actual instances, and that if this is not indeed the case, something *must* be at fault with the particular specification of causes.

Obviously now, this constancy principle is not itself based on or derived from experience. There is not only no observable link connecting events. Even if such a link existed, experience could not reveal whether or not it was time-invariant. The principle cannot be disproved by experience either, since any event which might appear to disprove it (such as a failure to duplicate some experience) could be interpreted from the outset as if experience had shown here that merely one *particular* type of event was not the cause of another (otherwise the experience would have been successfully repeated). However, to the extent that experience cannot

exclude the possibility that *another* set of events might actually be found which would turn out to be time-invariant in its way of operating, the validity of the constancy principle cannot be disproved.

Nonetheless, although neither derived from nor disprovable by experience, the constancy principle is nothing less than the logically necessary presupposition for there being experiences which can be regarded as either confirming or falsifying each other (in contrast to isolated, logically unconnected experiences). And hence, since empiricism-positivism assumes the existence of such logically related experiences, it must be concluded that it also implicitly assumes the existence of nonempirical knowledge about reality. It must assume that there are indeed time-invariantly operating causes, and it must assume that this is the case although experience could never possibly prove nor disprove it. Once again, then, empiricism turns out to be an inconsistent, contradictory philosophy.

By now it should be sufficiently clear that aprioristic knowledge must exist, or at least, that empiricism-positivism—the philosophy which is the most skeptical about its possibility—must in fact presuppose its existence. Admittedly, though, the very idea of knowledge as knowledge about real things whose validity can be ascertained independent of experience is a difficult one to grasp—otherwise the overwhelming success of the philosophy of empiricism-positivism in the scientific community and in the opinion of the “educated public” could hardly be explained. Hence, before proceeding to the more concrete task of elucidating the specific aprioristic foundations on which the economic case against socialism rests, it would seem appropriate to make a few rather general comments which should help make it more plausible that there is indeed something like aprioristic knowledge.

It seems to be of great importance to first rid oneself of the notion that aprioristic knowledge has anything to do with “innate ideas” or with “intuitive” knowledge which would not have to be discovered somehow or learned. Innate or not, intuitive or not: these are questions that concern the *psychology* of knowledge. In comparison, epistemology is concerned exclusively with the question of

the *validity* of knowledge and of how to ascertain validity—and, to be sure, the problem of aprioristic knowledge is solely an epistemological one. Aprioristic knowledge can be, and in fact quite often is, very similar to empirical knowledge from a psychological point of view, in that both types of knowledge must be acquired, discovered, learned. The process of discovering aprioristic knowledge might and very often indeed seems to be even more difficult and painstaking than that of acquiring empirical knowledge, which frequently enough simply seems to press itself onto us without our having done much about it; and also, it might well be the case genetically that the acquisition of aprioristic knowledge requires one's having previously had some sort of experience. But all this, it should be repeated, does not affect the question of the validation of knowledge, and it is precisely and exclusively in this regard that aprioristic and empirical knowledge differ categorically.<sup>98</sup>

On the positive side, the most important notion for understanding the possibility of a priori knowledge, I submit, is that there are not only nature-given things which one has to learn about through experience, but that there are also artificial, man-made things which may require the existence or use of natural materials, but which to the very extent that they are constructs can nonetheless not only be fully understood in terms of their structure and implications, but which also can be analyzed for the question of whether or not their method of construction can conceivably be altered.<sup>99</sup>

There are three major fields of constructs: language and thought, actions, and fabricated objects, all of which are man-made things. We shall not deal here with fabricated objects but will only mention in passing that Euclidean geometry, for instance, can be conceived of as ideal norms we cannot avoid using in constructing measurement instruments that make empirical measurements

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<sup>98</sup> Cf. I. Kant, *Kritik der reinen Vernunft*, in Kant, *Werke* (ed. Weischedel), Wiesbaden, 1956, vol. II, p.45.

<sup>99</sup> This, of course, is a Kantian idea, expressed in Kant's dictum that "reason can only understand what it has itself produced according to its own design" (*Kritik der reinen Vernunft*, in: Kant, *Werke* (ed. Weischedel), Wiesbaden, 1956, vol. II, p.23).

of space possible. (In so far, then, Euclidean geometry cannot be said to have been falsified by the theory of relativity; rather, this theory presupposes its validity through the use of its instruments of measuring.)<sup>100</sup> The field of action, as our area of main concern, will be analyzed when the aprioristic foundations of economics are discussed. The first explanation of aprioristic knowledge, then, as knowledge of rules of construction which cannot conceivably be altered, shall be given using the example of language and thought. This is chosen as the starting point, because it is language and thought which one uses in doing what is being done here, that is, in communicating, discussing, and arguing.

As empiricists see it, language is a conventionally accepted system of signs and sign-combinations, which, again by convention, are given some meaning, ultimately by means of ostensive definitions. According to this view, it may seem that although language is an artificial, man-made product, nothing can be known about it a priori. And indeed, there are lots of different languages, all using different signs, and the meaning of the terms used can be assigned and changed arbitrarily, so that everything there is to know about language must, or so it seems, be learned from experience. But this view is incorrect, or at best is only half of the truth. True, any language is a conventional sign system, but what is a convention? Evidently, it cannot be suggested that "convention" in turn be defined conventionally, as that would simply be begging the question. Everything can be *called* a convention (and, for that matter, a language), but surely not everything that can be called one *is* in fact a conventional agreement. Saying and being understood in saying "convention is used in such and such a way" presupposes that one already knows what a convention is, as this statement would already have to make use of language as a means of

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<sup>100</sup> Cf. on this P. Lorenzen, "Wie ist Objektivitaet in der Physik moeglich"; "Das Begrueendungsproblem der Geometrie als Wissenschaft der raeumlichen Ordnung," in: *Methodisches Denken*, Frankfurt/M., 1968; and *Normative Logic and Ethics*, Mannheim, 1969; F. Kambartel, *Erfahrung und Struktur*, Frankfurt/M., 1968, Kap. 3; also H. Dingier, *Die Ergreifung des Wirklichen*, Muenchen, 1955; P. Janich, *Proto-physik der Zeit*, Mannheim, 1969.

communication. Hence, one is forced to conclude that language is a conventional sign system and as such knowledge about it can only be empirical knowledge. But in order for there to be such a system it must be assumed that every speaker of a language already knows what a convention is, and he must know this not simply in the way he knows that “dog” means dog, but he must know the real, true meaning of convention. As such his knowledge of what a language is must be considered *a priori*. This insight can be repeated for more particular levels. There are all sorts of specific statements that can be made in a language, and surely experience plays a role here. However, knowing what it means to make a proposition can definitely not be learned from experience, but rather must be presupposed of any speaker of a language. What a proposition is cannot be explained to a speaker by just another statement unless he already knows how to interpret this as a proposition. And the same is true with definitions: it would not do to define “definition” ostensively by pointing to someone who is just pointing out some definition, because just as in the case in which the word “dog” is defined by pointing to a dog, an understanding of the meaning of ostensive definitions must already be presupposed when it is understood that pointing to a dog, accompanied by the sound [dog] means that “dog” means dog, so in the case of “definition.” To define definition ostensively would be entirely meaningless, unless one already knew that the particular sound made was supposed to signify something whose identification should be assisted by pointing, and how then to identify particular objects as instances of general, abstract properties. In short, in order to define any term by convention, a speaker must be assumed to have *a priori* knowledge of the real meaning—the real definition—of “definition.”<sup>101</sup>

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<sup>101</sup> On the problem of real vs. conventional or stipulated definitions cf. M. Hollis and E. Nell, *Rational Economic Man*, Cambridge, 1975, pp.177ff. “Honest definitions are, from an empiricist point of view, of two sorts, lexical and stipulative.” (p.177) But “when it comes to justifying (this) view, we are presumably being offered a definition of ‘definition’. Whichever category of definition the definition ... falls in, we need not accept it as of any epistemological worth. Indeed, it would not be even a possible epistemological thesis, unless it were neither lexical nor stipulative. The view is both inconvenient and self-refuting. A contrary opinion with a long pedigree is that there

The knowledge about language, then, that must be considered *a priori* in that it must be presupposed of any speaker speaking any language, is that of how to make real conventions, how to make a proposition by making a statement (i.e., how to mean something by saying something) and how to make a real definition and identify particular instances of general properties. Any denial of this would be self-refuting, as it would have to be made in a language, making propositions and using definitions. And as any experience is conceptual experience, i.e., experience in terms of some language—and to say that this is not so and mean it would only prove the point as it would have to be cast in a language, too—by *knowing* this to be true of a language *a priori*, one would also know *a priori* truth about reality: that it is made of particular objects that have abstract properties, i.e., properties of which it is possible to find other instances; that any one object either does or does not have some definite property and so there are facts that can be said to be the case, true or wrong; and also that it cannot be known *a priori* what all the facts are, except that they indeed also must be facts, i.e., instances of particular abstract properties. And once again, one does not know all this from experience, as experience is only what can appear in the forms just described.<sup>102</sup>

With this in mind we can turn to the field of action in order to prove the specific point that one also has positive, aprioristic knowledge of actions and consequences of actions because actions, too, are man-made constructs which can be fully understood regarding their rules of construction; and that empiricism-positivism cannot—at pain of contradiction—possibly be thought to be weakening or even seriously challenging the economic case against socialism, as this case ultimately rests on such foundations, whereas the empiricist philosophy stands in contradiction to it.

In the first argumentative step I shall demonstrate that the empiricist methodology, contrary to its own claim, cannot possibly

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are 'real' definitions, which capture the essence of the thing defined" (p.178); cf. also B. Blanshard, *Reason and Analysis*, La Salle, 1964, pp.268f.

<sup>102</sup> Cf. A. v. Melsen, *Philosophy of Nature*, Pittsburgh, 1953, esp. Chapters 1,4.

apply to actions and thereby reveal a first, albeit rather negative, instance of aprioristic knowledge about actions. Empiricism claims that actions, just as any other phenomenon, can and must be explained by means of causal hypotheses which can be confirmed or refuted by experience. Now if this were the case, then empiricism would be forced to assume (contrary to its own doctrine that there is no *a priori* knowledge as knowledge about reality) that time-invariantly operating causes with respect to actions exist. One would not know in advance which particular event might be the cause of a particular *action*—*experience* would have to reveal this. But in order to proceed the way that empiricism wants us to proceed—to relate different experiences regarding sequences of events as either confirming or falsifying each other, and if falsifying, then responding with a reformulation of the original causal hypothesis—a constancy over time in the operation of causes must be presupposed. However, if this were true, and actions could indeed be conceived as governed by time-invariantly operating causes, what about explaining the explainers, i.e., the persons who carry on the very process of hypothesis creation, of verification and falsification;—all of us, that is, who act the way the empiricists tell us to act? Evidently, to do all this—to assimilate confirming or falsifying experiences, to replace old hypotheses with new ones—one must assumedly be able to learn. However, if one is able to learn from experience, and the empiricist is compelled to admit this, then one cannot know at any given time what one will know at later time and how one will act on the basis of this knowledge. Rather, one can only reconstruct the causes of one's actions after the event, as one can only explain one's knowledge after one already possesses it. Thus, the empiricist methodology applied to the field of knowledge and action, which contains knowledge as its necessary ingredient, is simply contradictory—a logical absurdity.<sup>103</sup> The constancy

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<sup>103</sup> Cf. also H. H. Hoppe. *Kritik der kausalwissenschaftlichen Sozialforschung*, Opladen, 1983; and "Is Research Based on Causal Scientific Principles Possible in the Social Sciences" in *Ratio* XXV, 1, 1983. Here the argument is summed up thus (p.37): "(1) I and—as possible opponents in an argument—other people are able to learn. (This statement cannot be challenged without implicitly admitting that it is

principle may be correctly assumed within the sphere of natural objects and as such the methodology of empiricism may be applicable there, but with respect to actions, any attempt at causal empirical explanation is logically impossible, and this, which is definitely knowledge about something *real*, can be known with certainty. Nothing can be known a priori about any particular action; but a priori knowledge exists regarding actions insofar as they are actions at all. It can be known a priori that no action can be conceived of as predictable on the basis of constantly operating causes.

The second insight regarding action is of the same type. I will demonstrate that while actions themselves cannot be conceived of as caused, anything that is an action must presuppose the existence of causality in the physical world in which actions are performed. Causality—which the empiricist-positivist philosophy somehow had to assume existed in order to make its own methodological procedures logically feasible, even though its assumption definitely could not be said to be derived from experience and justified in terms of it—is a category of action, i.e., it is produced or constructed by us in following some procedural rule; and this rule, as it turns out, proves to be necessary in order to act at all. In other words, this rule is such that it cannot conceivably be falsified, as even the attempt to falsify it would have to presuppose it.

After what has been said about causality, it should indeed be easy to see that it is a produced rather than a given feature of reality. One does not experience and learn that there are causes which always operate in the same way and on the basis of which

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correct. Above all, it must be assumed by anyone undertaking research into causes. To this extent, proposition (1) is valid a priori.) (2) If it is possible to learn, one cannot know at any given time what one will know at any later time and how one will act on the basis of this knowledge. (If one did know at any given time what one will come to know at some later time, it would be impossible ever to learn anything—but see proposition (1) on this point.) (3) The assertion that it is possible to predict the future state of one's own and/or another's knowledge and the corresponding actions manifesting that knowledge (i.e. find the variables which can be interpreted as the causes) involves a contradiction. If the subject of a given state of knowledge or of an intentional act can learn, then there are no causes for this; however, if there are causes, then the subject cannot learn—but see again proposition (1).”

predictions about the future can be made. Rather, one establishes that phenomena have such causes by following a particular type of investigative procedure, by refusing on principle to allow any exceptions, i.e., instances of inconstancy, and by being prepared to deal with them by producing a new causal hypothesis each time any such an apparent inconstancy occurs. But what makes this way of proceeding necessary? Why does one *have* to act this way? Because behaving this way is what performing intentional actions is; and as long as one acts intentionally, presupposing constantly operating causes is precisely what one does. Intentional acts are characterized by the fact that an actor interferes in his environment and changes certain things, or prevents them from changing, and so diverts the “natural” course of events in order to achieve a preferred result or state of affairs; or should an active interference prove impossible, that he prepares himself for a result he cannot do anything about except anticipate in time, by watching out for temporally prior events which indicate the later result. In any case, in order to produce a result that otherwise would not have happened, or to be able to adapt to an inevitable result that otherwise would have come as a complete surprise, the actor must presuppose constantly operating causes. He would not interfere if he did not assume this would help bring about the desired result; and he would not prepare for and adjust to anything unless he thought the events on whose basis he began his preparations were indeed the constantly operating causal forces that would produce the result in question, and the preparation taken would indeed lead to the goal desired. Of course, an actor could go wrong with respect to his particular assumptions of cause-and-effect relations and a desired result might not come about in spite of the interference, or an anticipated event for which preparations had been made might fail to occur. But no matter what happens in this respect, whether or not the results conform to the expectations, whether or not actions regarding some given result or event are upheld for the future, any action, changed or unchanged, presupposes that there are constantly operating causes even if no particular cause for a particular event can be pre-known to any actor at any time. In fact, disproving that any natural phenomenon

is governed by time-invariantly operating causes would require one to show that given phenomenon cannot be anticipated or produced on the basis of antecedent variables. But clearly, trying to prove this would again necessarily presuppose that the occurrence or non-occurrence of the phenomenon under scrutiny could be effected by taking appropriate action and that the phenomenon must thus assumedly be embedded in a network of constantly operating causes. Hence, one is forced to conclude that the validity of the constancy principle cannot be falsified by any action as any action would have to presuppose it.<sup>104</sup> (There is only one way in which it might be said that “experience” could “falsify” the constancy principle: if the physical world were indeed so chaotic that one could no longer act at all, then of course it would not make much sense to speak of a world with constantly operating causes. But then human beings, whose essential characteristic is to act intentionally, would also no longer be the ones who *experience* this inconstancy. As long as one survives as a human being—and this is what the argument in effect says—the constancy principle must be assumed to be valid a priori, as any action must presuppose it and no experience that anyone could actually *have* could possibly disprove this.)<sup>105</sup>

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<sup>104</sup> M. Singer, *Generalization in Ethics*, London, 1863; P. Lorenzen, *Normative Logic and Ethics*, Mannheim, 1969; S. Toulmin, *The Place of Reason in Ethics*, Cambridge, 1970; F. Kambartel (ed.), *Praktische Philosophie und konstruktive Wissenschaftstheorie*, Frankfurt/M, 1974; A. Gewirth, *Reason and Morality*, Chicago, 1978.

<sup>105</sup> Causality, then, is not a contingent feature of physical reality, but rather a category of action, and as such, a logically necessary trait of the physical world. This fact explains why in spite of the possibility explained above of immunizing any hypothesis against possible refutations by postulating ever new uncontrolled variables, no nihilistic consequences regarding the undertaking of causal scientific research follow (cf. note 7 above). For if it is understood that natural science is not a contemplative enterprise but ultimately an instrument of action (cf. on this also J. Habermas, *Knowledge and Human Interests*, Boston, 1971, esp. Chapter 6), then neither the fact that hypotheses can be immunized nor that a selection between rival theories may not always seem possible (because theories are, admittedly, under-determined by data) ever affects the permanent existence of the rationality criterion of “instrumental success.” Neither immunizing hypotheses nor referring to paradigmatic differences makes anyone less subject to this criterion in whose light every theory ultimately proves commensurable. It is the inexorability of the rationality criterion of instrumental success which explains why—not withstanding Kuhn, Feyerabend et al.—the development of the natural sciences could bring about an ultimately undeniable, constant technological progress.

Implied in the category of causality is that of time. Whenever one produces or prepares for a certain result and thereby categorizes events as causes and effects, one also distinguishes between earlier and later events. And to be sure, this categorization is not simply derived from experience, i.e., the mere observance of things and events. The sequence of experiences as it appears in the temporal order of one's observations is quite a different thing from the real sequence of events in real time. As a matter of fact, one can observe things in an order that is exactly the opposite of the real temporal order in which they stand to each other. That one knows how to interpret observations in a way that might deviate from and correct on the temporal order in which they were made and can even locate events in objective time requires that the observer be an actor and know what it means to produce or prepare for some result.<sup>106</sup> Only because one is an actor, and experiences are those of an acting person, can events be interpreted as occurring earlier and later. And, one cannot know from experience that experiences must be interpreted with reference to actions, as the performance of any action already presupposes the possession of experiences interpreted this way. No person who did not know what it means to act could ever experience events placed in real time, and hence the meaning of time must be assumed to be known a priori to any actor because of the fact that he is an actor.

Furthermore, actions not only presuppose causality and an objective time order, they also require values. Values, too, are not

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On the other hand, in the field of human action, where, as has been demonstrated above, no causal scientific research is possible, where predictive knowledge can never attain the status of empirically testable scientific hypotheses but rather only that of informed, not-systematically teachable foresight, and where in principle the criterion of instrumental success is thus inapplicable, the spectre of nihilism would seem indeed to be real, if one were to take the empiricist methodological prescriptions seriously. However, not only are these prescriptions inapplicable to the social sciences as *empirical sciences* (cf. on this H. H. Hoppe, *Kritik der kausalwissenschaftlichen Sozialforschung*, Opladen, 1983, esp. Chapter 2); as I show here, contrary to the empiricist doctrine according to which everything must be tried out before its outcome can be known, a priori knowledge regarding action exists, and apodictically true predictions regarding the social world can be made based on this a priori knowledge. It is this, then, that proves all nihilistic temptations unfounded.

<sup>106</sup> Cf. also, H. H. Hoppe, *Handeln und Erkennen*, Bern, 1976, pp.62f.

known to us through experience; rather, the opposite is true. One only experiences things because they are things on which positive or negative value can be placed in the course of action. Only by an *actor*, that is to say, can things be experienced as value-laden and, even more generally, only because one is an actor does one have conscious experiences at all, as they inform about things which might be valuable for an acting person to know. More precisely: with every action an actor pursues a goal.<sup>107</sup> He wants to produce a definite result or be prepared for a result that he cannot prevent from happening. Whatever the goal of his action (which, of course, one could only know from experience), the fact that it is pursued by an actor reveals that he places value on it. As a matter of fact, it reveals that at the very start of his action he places a relatively higher value on it than on any other goal of action he could think of, otherwise he would have acted differently. Furthermore, since in order to achieve his most highly valued goal any actor must interfere at an earlier point in time or must watch out for an earlier event in order to start preparations for some later occurrence, every action must also employ means (at least those of the actor's own body and the time absorbed by the interference or the preparations) to produce the desired end. And as these means are assumed to be causally necessary for achieving the valued goal, otherwise the actor would not employ them, value must also be placed on them. Not only the goals, then, have value for an actor, but the means do, too—a value that is derived from that of the desired end, as one could not reach an end without employing some means. In addition, as actions can only be performed sequentially by an actor, every action involves making a choice. It involves taking up that course of action which at the moment of acting promises the most highly valued result to the actor and hence is given preference by him; at the same time it involves excluding other possible actions with expected results of a lesser value. As a consequence of having to choose whenever one acts—of not being able to realize all valued goals simultaneously—

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<sup>107</sup> Cf. also L. v. Mises, *Human Action*, Chicago, 1966; *Epistemological Problems of Economics*, New York, 1981; and *The Ultimate Foundation of Economic Science*, Kansas City, 1978.

the performance of each and every action implies the incurrance of costs. The cost of an action is the price that must be paid for having to prefer one course of action over another, and it amounts to the value attached to the most highly valued goal that cannot be realized or whose realization must now be deferred, because the means necessary to produce it are bound up in the production of another, even more highly valued end. And while this implies that at its starting point every action must be considered to be worth more than its costs and able to secure a profit to the actor, i.e., a result whose value is ranked higher than the costs, every action is also threatened by the possibility of a loss. Such a loss would occur if in retrospect an actor found that—contrary to his own previous expectation—the result in fact had a lower value than that of the relinquished alternative. And just as every action necessarily aims at a profit, the possibility of a loss, too, is a necessary accompaniment to any action. For an actor can always go wrong regarding his causal-technological knowledge, and the results aimed for cannot be produced successfully or the events for which they were produced do not occur; or he can go wrong because every action takes time to complete and the value attached to different goals can change in the meantime, making things less valuable now that earlier appeared to be highly valuable.

All of these categories—values, ends, means, choice, preference, cost, profit and loss—are implied in the concept of action. None of them is derived from experience. Rather, that one is able to interpret experiences in the above categories requires that one already know what it means to act. No one who is not an actor could understand them as they are not “given,” ready to be experienced, but experience is cast in these terms as it is constructed by an actor according to the rules necessary for acting. And to be sure, as actions are real things and one cannot *not* act—as even the attempt to do so would itself be an action aimed at a goal, requiring means, excluding other courses of action, incurring costs, subjecting the actor to the possibility of not achieving the desired goal and so suffering a loss—the knowledge of what it means to act must be considered knowledge about reality which is *a priori*. The very

possession of it could not be undone or disproved, since this would already presuppose its very existence. As a matter of fact, a situation in which these categories of action would cease to have a real existence could not itself ever be observed, as making an observation is itself an action.<sup>108</sup>

Economic analysis, and the economic analysis of socialism in particular, has as its foundation this a priori knowledge of the meaning of action as well as its logical constituents. Essentially, economic analysis consists of: (1) an understanding of the categories of action and an understanding of the meaning of a *change* in values, costs, technological knowledge, etc.; (2) a description of a situation in which these categories assume concrete meaning, where definite people are identified as actors with definite objects specified as their means of action, with definite goals identified as values and definite things specified as costs; and (3) a deduction of the consequences that result from the performance of some specified action in this situation, or of the consequences that result for an actor if this situation is changed in a specified way. And this deduction must yield a priori-valid conclusions, provided there is no flaw in the very process of deduction and the situation and the change introduced into it being given, and a priori—valid conclusions about *reality* if the situation and situation—change, as described, can themselves be identified as real, because then their validity would ultimately go back to the indisputable validity of the categories of action.

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<sup>108</sup> The aprioristic character of the concept of action—i.e., the impossibility of disproving the proposition that man acts and acting involves the categories explained above, because even the attempt to disprove it would itself be an action—has its complement in the field of epistemology, in the law of contradiction and the unthinkability of its denial. Regarding this law B. Blanshard writes: “To deny the law means to say that it is false rather than true, that its being false excludes its being true. But this is the very thing that is supposedly denied. One cannot deny the law of contradiction without presupposing its validity in the act of denying it” (B. Blanshard, *Reason and Analysis*, La Salle, 1964, p.276).

In fact, as L. v. Mises indicates, the law of contradiction is implied in the epistemologically more fundamental “axioms of action.” (L. v. Mises, *The Ultimate Foundation of Economic Science*, Kansas City, 1978, p.35). On the relation between praxeology and epistemology cf. also Chapter 7, n. 5.

It is along this methodological path that in the preceding discussion of socialism the conclusion was derived, for instance, that if the labor expended by an actor was not itself his goal of action, but rather only his means of reaching the goal of producing income and if this income then is reduced against his consent—by taxation—then for him the cost of expending labor has been increased, as the value of other, alternative goals that can be pursued by means of his body and time has gone up in relative terms, and hence a reduced incentive to work must result. Along this path, too, the conclusion—as an *a priori* conclusion—was reached that, for instance, if the actual users of means of production do not have the right to sell them to the highest bidder, then no one can establish the monetary costs involved in producing what is actually produced with them (the monetary value, that is, of the opportunities foregone by not using them differently), and no one can assure any longer that these means are indeed employed in the production of those goods considered to be the most highly valued ones by the actors at the beginning of their productive efforts. Hence a reduced output in terms of purchasing power must ensue.

After this rather lengthy digression into the field of epistemology, let us now return to the discussion of the socialism of social engineering. This digression was necessary in order to refute the claim of empiricism-positivism, which if true would have saved socialism, that nothing categorical can be said against any policy-scheme, as only experience can reveal the real consequences of certain policies. Against this I have pointed out that empiricism clearly seems to contradict intuition. According to intuition, logic is more fundamental than experience and it is also knowledge about real things. Furthermore, empiricism-positivism turns out to be self-contradictory, as it itself must presuppose the existence of *a priori* knowledge as real knowledge. There indeed exists a stock of positive *a priori* knowledge which must be presupposed of every experiencing and acting person, because he knows what it means to act, and which cannot possibly be refuted by experience, as the very attempt to do so would itself presuppose the validity of what had been disputed.

The discussion has led us to a conclusion which can be summed up as follows: "Experience does not beat logic, but rather the opposite is true." Logic improves upon and corrects experience and tells us what kind of experiences we can possibly have and which ones are instead due to a muddled mind, and so would be better labeled "dreams" or "fantasies" rather than as experiences regarding "reality." With this reassurance about the solidity of the foundations on which the economic case against socialism has been built, a straightforward criticism of the socialism of social engineering is now possible; a criticism which is again a logical one, drawing on a priori knowledge, and demonstrating that the goals pursued by the socialism of social engineering can never be reached by its proposed means, since this would stand in contradiction to such knowledge. The following critique can now be brief, as the ideology of social engineering, *apart* from its empiricist-positivist methodology which has been proven faulty, is really no different from the other versions of socialism. Hence, the analyses provided in the preceding chapters regarding Marxist, social-democratic and conservative socialism find application here, too.

This becomes clear once the property rules of the socialism of social engineering are stated. First, the user-owners of scarce resources can do whatever they want with them. But secondly, whenever the outcome of this process is not liked by the community of social engineers (people, that is, who are not the user-owners of the things in question and who do not have a contractually acquired title to them), it has the right to interfere with the practices of the actual user-owners and determine the uses of these means, thereby restricting their property rights. Further, the community of social engineers has the right to determine unilaterally what is or is not a preferred outcome, and can thus restrict the property rights of natural owners whenever, wherever, and to the extent that it thinks necessary in order to produce a preferred outcome.

Regarding these property rules, one realizes at once that although socialism of social engineering allows for a gradual implementation of its goals with only a moderate degree of intervention

in the property rights of natural owners, since the degree to which their rights can be curtailed is to be determined by society (the social engineers), private ownership is in principle abolished and peoples' productive enterprises take place under the threat of an ever-increasing or even total expropriation of private owners. In these respects there is no difference whatsoever between social-democratic and conservative socialism and socialism's socially engineered version. The difference again is reduced to one of social psychology. While Marxist, redistributive, and conservative socialism all want to achieve a general goal determined in advance—a goal of *égalité* or of the preservation of a given order—the socialism of social engineering does not have any such design. Its idea is one of punctuated, unprincipled intervention; flexible, piece-meal engineering. The engineering socialist is thus seemingly much more open to criticism, changing responses, new ideas—and this attitude certainly appeals to a lot of people who would not willingly subscribe to any of the other forms of socialism. On the other hand, though, and this should be kept in mind as well, there is almost nothing, including even the most ridiculous thing, that some social engineers would not like to try out on their fellowmen, whom they regard as bundles of variables to be technically manipulated like pawns on a chessboard by setting the right stimuli.

In any case, since the socialism of social engineering does not differ in principle from any of the other versions of socialism, in that it implies a redistribution of property titles away from the users and contractors of scarce resources and onto nonusers and noncontractors, it, too, raises the cost of production and so leads to a reduction in the production of wealth; and this is necessarily so and no one need try it out first to reach this conclusion. This general conclusion is true regardless of the specific course social engineering might take. Let us say that the community of social engineers does not approve of some people having a low income and so decides to fix minimum wages above the current market level.<sup>109</sup> Logic tells one

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<sup>109</sup> On the effects of minimum wages cf. also Y. Brozen and M. Friedman, *The Minimum Wage: Who Pays?*, Washington, 1966.

that this implies a restriction of the property rights of the employers as well as the employees who are no longer allowed to strike certain kinds of mutually beneficial bargains. The consequence is and must be unemployment. Instead of getting paid at a lower market wage, some people now will not get paid at all, as some employers cannot pay the additional costs or hire as many people as they would be willing to hire at lower costs. The employers will be hurt as they can only employ fewer people and the output of production hence will be lower, in relative terms; and the employees will be hurt, as instead of some income, albeit low, they now have no income. It cannot be stated *a priori* *who* of the employees and the employers will suffer most from this, except that it will be those of the former whose specific labor services have a relatively low value on the market, and those of the latter who specifically hire precisely this type of labor. However, knowing from experience, for instance, that low-skilled labor services are particularly frequent among the young, among blacks, among women, among older people who want to reenter the labor force after a longer period of household-work, etc., it can be predicted with certainty that these will be the groups hit the hardest by unemployment. And to be sure, the very fact that the problem which intervention was originally supposed to cure (the low income of some people) is now even worse than before could have been known *a priori*, independent of *any* experience! To think that, misled by faulty empiricist methodology, all this first has to be tried out as it otherwise could not have been known is not only scientific humbug; like all acting based on ill-conceived intellectual foundations, it is extremely costly as well.

To look at yet another example, the community of social engineers does not like the fact that rents for houses or apartments are as high as they are, and hence some people are not able to live as comfortably as they think they should. Accordingly, rent-control legislation is passed, establishing maximum rents for certain apartments.<sup>110</sup> This is the situation, for instance, in New York City, or on

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<sup>110</sup> On the effects of rent control cf. also C. Baird, *Rent Control: The Perennial Folly*, San Francisco, 1980; F. A. Hayek et al., *Rent Control: A Popular Paradox*, Vancouver, 1975.

a much grander scale, in all of Italy. Again, without having to wait for the consequences to become *real* one knows what they will be. The construction of new apartments will decrease, as the returns from investment are now lower. And with respect to old apartments, immediate shortages will appear, as the demand for them, their prices being lower, will rise. Some older apartments might not even be rented out anymore, if the fixed rents are so low that the rent would not even cover the cost of the deterioration that occurs by just living in and using the apartment. Then there would be a tremendous shortage of housing next to thousands of empty apartments (and New York City and Italy provide us with perfect illustrations of this). And there would be no way out of this, as it still would not pay to construct new apartments. In addition, the increased shortages would result in very costly inflexibilities, as people who had happily gotten into one of the low-priced apartments would be increasingly unwilling to move out again, in spite of the fact that, for instance, the family size normally changes during the life cycle and so different needs as regards housing emerge, and in spite of the fact that different job opportunities might appear at different places. And so a huge waste of rental space occurs, because old people, for example, who occupy large apartments that were just the right size when the children were still living at home but are much too big now, still will not move into smaller apartments as there are none available; and young families who are in need of larger premises cannot find those either, precisely because such places will not be vacated. Waste also occurs because people do not move to the places where there is the greatest demand for their specific labor services, or they spend large amounts of time commuting to rather distant places, merely because they cannot find a place to live where there is work for them, or they can only find accommodations at a much higher price than their presently fixed low rent. Clearly, the problem that the social engineers wanted to solve by means of introducing rent control legislation is much worse than before and the general standard of living, in relative terms, has declined. Once again, all of this could have been known *a priori*. For the social engineer, however, misled by an empiricist-positivist methodology

which tells him that there is no way of knowing results unless things are actually tried out, this experience will probably only set the stage for the next intervention. Perhaps the results were not exactly as expected because one had forgotten to control some other important variable, and one should now go ahead and find out. But as this chapter has demonstrated, there is a way of knowing in advance that neither the first nor any subsequent acts of intervention will ever reach their goal, as they all imply an interference with the rights of the natural owners of things by nonusers and noncontractors.<sup>111</sup>

In order to understand this, it is only necessary to return to sound economic reasoning; to realize the unique epistemological nature of economics as an aprioristic science of human action that rests on foundations whose very denial must presuppose their validity; and to recognize, in turn, that a science of action grounded in an empiricist-positivist methodology is as ill-founded as the statement that “one can have his cake and eat it, too.”

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<sup>111</sup> Cf. also L. v. Mises, *A Critique of Interventionism*, New Rochelle, 1977.





## Chapter 7

# The Ethical Justification of Capitalism and Why Socialism Is Morally Indefensible

**T**he last four chapters have provided systematic reasons and empirical evidence for the thesis that socialism as a social system that is not thoroughly based on the “natural theory of property” (the first-use-first-own rule) which characterizes capitalism must necessarily be, and in fact is, an inferior system with respect to the production of wealth and the average standard of living. This may satisfy the person who believes that economic wealth and living standards are the most important criteria in judging a society—and there can be no doubt that for many, one’s standard of living is a matter of utmost importance—and because of this it is certainly necessary to keep all of the above economic reasoning in mind. Yet there are people who do not attach much importance to economic wealth and who rank other values even higher—happily, one might say, for socialism, because it can thus quietly forget its original claim of being able to bring more prosperity to mankind, and instead resort to the altogether different but even more inspiring claim that whereas socialism might not be the key to prosperity, it would mean justice, fairness, and morality (all terms used synonymously here). And it can argue that a trade-off between efficiency and justice, an exchange of “less wealth” for

“more justice” is justified, since justice and fairness, are fundamentally more valuable than economic wealth.

This claim will be examined in some detail in this chapter. In so doing, two separate but related claims will be analyzed: (1) the claim made in particular by socialists of the Marxist and the social-democratic camp, and to a lesser degree also by the conservatives, that a *principled* case in favor of socialism can be made because of the moral value of its principles and, *mutatis mutandis*, that capitalism cannot be defended morally; and (2) the claim of empiricist socialism that normative statements (“should” or “ought” statements)—since they neither solely relate to facts, nor simply state a verbal definition, and thus are neither empirical nor analytical statements—are not really statements at all, at least not statements that one could call “cognitive” in the widest of all senses, but rather mere “verbal expressions” used to express or arouse feelings (such as “Wow” or “grrrrr”).<sup>112</sup>

The second, empiricist or, as its position applied to the field of morals is called, “emotivist” claim will be dealt with first, as in a way it is more far-reaching.<sup>113</sup> The emotivist position is derived by accepting the central empiricist-positivist claim that the dichotomous distinction between empirical and analytical statements is of an all-inclusive nature; that is, that any statement whatsoever must be empirical or analytical and never can be both. This position, it will be seen, turns out to be self-defeating on closer inspection, just as empiricism in general turned out to be self-defeating.<sup>114</sup> If emotivism is a valid position, then its basic proposition regarding normative statements must itself be analytical or empirical, or else it must be an expression of emotions. If it is taken to be analytical, then it is mere verbal quibble, saying nothing about anything real, but rather

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<sup>112</sup> For such a position cf. A. J. Ayer, *Language, Truth and Logic*, New York, 1950.

<sup>113</sup> On the emotivist position cf. C. L. Stevenson, *Facts and Values*, New Haven, 1963; and *Ethics and Language*, London, 1945; cf. also the instructive discussion by G. Harman, *The Nature of Morality*, New York, 1977; the classical exposition of the idea that “reason is and can be no more than the slave of the passions” is to be found in D. Hume, *Treatise on Human Nature*, (ed. Selby-Bigge), Oxford, 1970.

<sup>114</sup> Cf. also Chapter 6 above.

only defining one sound by another, and emotivism would thus be a void doctrine. If, instead, it is empirical, then the doctrine would not carry any weight, as its central proposition could well be wrong. In any case, right or wrong, it would only be a proposition stating a historical fact, i.e., how certain expressions have been used in the past, which in itself would not provide any reason whatsoever why this would have to be the case in the future, too, and hence why one should or rather should not look for normative statements that are more than expressions of emotions in that they are meant to be justifiable. And the emotivist doctrine would also lose all its weight if it adopted the third alternative and declared its central tenet itself a “wow” statement, too. For if this were the case, then it would not contain any reason why one should relate to and interpret certain statements in certain ways, and so if one’s own instincts or feelings did not happen to coincide with somebody else’s “wowing,” there would be nothing that could stop one from following one’s own feelings instead. Just as a normative statement would be no more than the barking of a dog, so the emotivist position then is no more than a barking comment on barking.

On the other hand, if the central statement of empiricism-emotivism, i.e., that normative statements have no cognitive meaning but are simply expressions of feelings, is itself regarded as a meaningful statement communicating that one should conceive of all statements that are not analytical or empirical as mere expressive symbols, then the emotivist position becomes outrightly contradictory. This position must then assume, at least implicitly, that certain insights, i.e., those relating to normative statements, cannot simply be understood and meaningful, but can also be given justification as statements with specific meanings. Hence, one must conclude that emotivism falters, because if it were true, then it could not even say and mean what it says—it simply would not exist as a position that could be discussed and evaluated with regard to its validity. But if it is a meaningful position which can be discussed, then this fact belies its very own basic premise. Moreover, the fact that it is indeed such a meaningful position, it should be noted, cannot even be disputed, as one cannot communicate and argue

that one cannot communicate and argue. Rather, it must be presupposed of *any* intellectual position, that it is meaningful and can be argued with regard to its cognitive value, simply because it is presented in a language and communicated. To argue otherwise would already implicitly admit its validity. One is forced, then, to accept a rationalist approach towards ethics for the very same reason that one was forced to adopt a rationalist instead of an empiricist epistemology.<sup>115</sup> Yet with emotivism so rebuffed, I am still far away, or so it seems, from my set goal, which I share with the Marxist and conservative socialists, of demonstrating that a principled case in favor of or against socialism or capitalism can be made. What I have reached so far is the conclusion that the question of whether or not normative statements are cognitive ones is itself a cognitive problem. However, it still seems to be a far cry from there to the proof that actual norm proposals can indeed be shown to be either valid or invalid.

Fortunately, this impression is wrong and there is already much more won here than might be suspected. The above argument shows us that any truth claim—the claim connected with any proposition that it is true, objective, or valid (all terms used synonymously here)—is and must be raised and decided upon in the course of an argumentation. And since it cannot be disputed that this is so (one cannot communicate and argue that one cannot communicate and argue), and it must be assumed that everyone knows what it means to claim something to be true (one cannot deny this statement without claiming its negation to be

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<sup>115</sup> For various “cognitivist” approaches toward ethics cf. K. Baier, *The Moral Point of View*, Ithaca, 1958; M. Singer, *Generalization in Ethics*, London, 1963; P. Lorenzen, *Normative Logic and Ethics*, Mannheim, 1969; S. Toulmin, *The Place of Reason in Ethics*, Cambridge, 1970; F. Kambartel (ed.), *Praktische Philosophie und konstruktive Wissenschaftstheorie*, Frankfurt/M., 1974; A. Gewirth, *Reason and Morality*, Chicago, 1978.

Another cognitivist tradition is represented by various “natural rights” theorists. Cf. J. Wild, *Plato’s Modern Enemies and the Theory of Natural Law*, Chicago, 1953; H. Veatch, *Rational Man. A Modern Interpretation of Aristotelian Ethics*, Bloomington, 1962; and *For An Ontology of Morals. A Critique of Contemporary Ethical Theory*, Evanston, 1968; and *Human Rights. Fact or Fancy?*, Baton Rouge, 1985; L. Strauss, *Natural Right and History*, Chicago, 1970.

true), this has been aptly called “the a priori of communication and argumentation.”<sup>116</sup>

Now, arguing never just consists of free-floating propositions claiming to be true. Rather, argumentation is always an activity, too. But given that truth claims are raised and decided upon in argumentation and that argumentation, aside from whatever is said in its course, is a practical affair, it follows that intersubjectively meaningful norms must exist—precisely those which make some action an argumentation—which have special cognitive status in that they are the practical preconditions of objectivity and truth.

Hence, one reaches the conclusion that norms must indeed be assumed to be justifiable as valid. It is simply impossible to argue otherwise, because the ability to argue so would in fact presuppose the validity of those norms which underlie any argumentation whatsoever.<sup>117</sup> The answer, then, to the question of which

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<sup>116</sup> Cf. K. O. Apel, *Transformation der Philosophie*, Vol. 2, Frankfurt/M, 1973, in particular the essay “Das Apriori der Kommunikationsgemeinschaft und die Grundlagen der Ethik”; also J. Habermas, “Wahrheitstheorien,” in: H. Fahrenbach (ed.), *Wirklichkeit und Reflexion*, Pfullingen, 1974; *Theorie des kommunikativen Handelns*, Vol. 1, Frankfurt/M, 1981, pp.44ff; and *Moralbewusstsein und kommunikatives Handeln*, Frankfurt/M., 1983.

Note the structural resemblance of the “a priori of argumentation” to the “a priori of action,” i.e., the fact, as explained in Chapter 6 above, that there is no way of disproving the statement that everyone knows what it means to act, since the attempt to disprove this statement would presuppose one’s knowledge of how to perform certain activities. Indeed, the indisputability of the knowledge of the meaning of validity claims and action are intimately related. On the one hand, actions are more fundamental than argumentation with whose existence the idea of validity emerges, as argumentation is clearly only a subclass of action. On the other hand, to say what has just been said about action and argumentation and their relation to each other already requires argumentation and so in this sense—epistemologically, that is—argumentation must be considered to be more fundamental than nonargumentative action. But then, as it is epistemology, too, which reveals the insight that although it might not be known to be so prior to any argumentation, in fact the development of argumentation presupposes action in that validity claims can only be explicitly discussed in an argument if the persons doing so already know what it means to have knowledge implied in actions; both, the meaning of action in general and argumentation in particular, must be thought of as logically necessary interwoven strands of a priori knowledge.

<sup>117</sup> Methodologically, our approach exhibits a close resemblance to what A. Gewirth has described as the “dialectically necessary method” (*Reason and Morality*, Chicago,

ends can or cannot be justified is to be derived from the concept of argumentation. And with this, the peculiar role of reason in determining the contents of ethics is given a precise description, too. In contrast to the role of reason in establishing empirical laws of nature, reason can claim to yield results in determining moral laws which can be shown to be valid *a priori*. It only makes explicit what is already implied in the concept of argumentation itself; and in analyzing any actual norm proposal, its task is merely confined to analyzing whether or not it is logically consistent with the very ethics which the proponent must presuppose as valid insofar as he is able to make his proposal at all.<sup>118</sup>

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1978, p.42-47)—a method of *a priori* reasoning modeled after the Kantian idea of transcendental deductions. Unfortunately, though, in his important study Gewirth chooses the wrong starting point for his analyses. He attempts to derive an ethical system not from the concept of argumentation, but from that of action. However, this surely cannot work, because from the correctly stated fact that in action an agent must, by necessity, presuppose the existence of certain values or goods, it does not follow that such goods then are universalizable and should thus be respected by others as the agent's goods by right. (On the requirement of normative statements to be universalizable cf. the following discussion in the text.) Rather, the idea of truth, or regarding morals, of universalizable rights or goods only emerges with argumentation as a special subclass of actions but not with action as such, as is clearly revealed by the fact that Gewirth, too, is not engaged simply in action, but more specifically in argumentation when he tries to convince us of the necessary truth of his ethical system. However, with argumentation recognized as the one and only appropriate starting point for the dialectically necessary method, a capitalist (i.e., non-Gewirthian) ethic follows, as will be seen. On the faultiness of Gewirth's attempt to derive universalizable rights from the notion of action cf. also the perceptive remarks by M. MacIntyre, *After Virtue*, Notre Dame, 1981, pp.6465; J. Habermas, *Moralbewusstsein und kommunikatives Handeln*, Frankfurt/M., 1983, pp.110-111; and H. Veatch, *Human Rights*, Baton Rouge, 1985, pp. 159-160.

<sup>118</sup> The relationship between our approach and a "natural rights" approach can now be described in some detail, too. The natural law or natural rights tradition of philosophic thought holds that universally valid norms can be discerned by means of reason as grounded in the very nature of man. It has been a common quarrel with this position, even on the part of sympathetic readers, that the concept of human nature is far "too diffuse and varied to provide a determinate set of contents of natural law" (A. Gewirth, "Law, Action, and Morality" in: *Georgetown Symposium on Ethics. Essays in Honor of H. Veatch* (ed. R. Porreco), New York, 1984, p.73). Furthermore, its description of rationality is equally ambiguous in that it does not seem to distinguish between the role of reason in establishing empirical laws of nature on the one hand, and normative laws of human conduct on the other. (Cf., for instance, the discussion in H. Veatch, *Human Rights*, Baton Rouge, 1985, p.62-67.)