Understanding: A Phenomenological-Pragmatic Analysis. By Gary B. Madison. Westport, Connecticut: Greenwood Press, 1982.

Professor Gary B. Madison, an outstanding proponent of hermeneutics, finds this sort of philosophy beset by unfair criticism.[1] Hermeneutics, which seeks dialogue based on "common understandings,"[2] has been rudely rebuffed by critics guilty of "egregious misunderstandings."[3] Some of these errors are "so to speak, honest ones. ... Others are, quite frankly, dishonest ones, obstacles deliberately thrown in the path of the uninitiated by opponents of hermeneutics who have every interest in slowing its progress."[4] Some of the "more vituperative critics of hermeneutics, in rejecting it wholesale, discard in the process all claims to intellectual integrity."[5]

Madison does not state whom he has in mind in his charges. His remarks place any reviewer in a difficult position. Whether my remarks are "vituperative" or lacking in "intellectual integrity" must be for others to judge. In an effort to steer clear of such charges, however, I shall for the most part confine myself to an exposition of Madison's own views rather than a criticism of them from my own perspective. I shall endeavor to show that the alleged misunderstandings of the critics in fact accurately characterize Madison's main statement of his approach to the theory of knowledge, his large treatise *Understanding*.[6] Madison escapes relativism only because he uses this term in an idiosyncratic way. As the critics use the term, Madison *is* a relativist. Nothing directly follows from this contention about other philosophers of this movement, e.g., Gadamer and Ricoeur; but for now it is assumed that Madison's own views are similar to those of other hermeneutic philosophers.

The first two of the misunderstandings of hermeneutics Madison has noted can be usefully considered together, as they are closely

[1]Gary B. Madison, "Hermeneutical Integrity: A Guide for the Perplexed," *Market Process* 6, no. 1 (Spring 1988): 2-8.

[2]Ibid., p. 4.

[3]Ibid., p. 1

[4]Ibid.

[5]Ibid., 7.

[6]Gary B. Madison, *Understanding: A Phenomenological-Pragmatic Analysis* (Westport, Conn.: Greenwood Press, 1982).

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related. Contrary to criticism, Madison claims that hermeneutics neither rejects reason nor entails relativism. Hermeneutics does not, to be sure, accept "the position that has dominated philosophy since the time of Plato, which holds that human beings are endowed with a special kind of faculty called reason by means of which they can intuit or otherwise discover absolutely indubitable, eternally valid, objective truths."[7] Claims to truth of this kind are incompatible with the "maintenance of a free and democratic society."

How does that last contention go again? Suppose someone claimed to know with certainty that people should be free to criticize one another. Is this belief inconsistent with a free society? Why does thinking a proposition absolutely true prevent one from listening to criticism of it?

The Declaration of Independence claims certain "truths to be self-evident." Were the signers of the Declaration advancing claims incompatible with the free society they thought they were establishing? Madison may, if he wishes, "bite the bullet" and contend that the signers misunderstood the basis for their own belief in a free society. He can hardly deny that in this and like cases a considerable prima facie case against his views needs to be met.[8]

By the way, if claiming absolute truth *did* create difficulties for existence of a free society, how would this show that we do not have absolutely true beliefs? Perhaps it would be better if we kept our claims to them to ourselves, on this assumption; but that is a different issue.

Instead of a supposed method of attaining truth that has universal validity, hermeneutics, Madison states, "holds to a fallibilist and pluralist view of reason." It denies that the so-called scientific method is the only valid procedure of investigation, regardless of the topic. Like Mises, advocates of hermeneutics distinguish understanding human action from explanation in physics. Both Austrian economics and hermeneutics reject "scientism."

The charge of relativism so frequently directed at hermeneutics also in Madison's view misfires. Hermeneutics does reject the view that knowledge rests on self-evident grounds. But this is far from saying that hermeneutics "license[s] an all pervasive intellectual permissiveness, as immoderate critics would have us believe."[9] Hermeneutics seeks mutual understanding, based on the common grounds, in part unarticulated, that render conversation possible in the first place. We cannot attain *absolute* truth: but we can seek a reasonable consensus.

[7]Madison, "Hermeneutical Integrity," p. 1.

[8]Madison's political views are set forward in his *The Logic of Liberty.* Incidentally, if Madison examines my forthcoming review of this book in the *International Philosophical Quarterly*, he will find the claim that I am biased against him hard to maintain.

[9]Ibid., p. 4.

Madison counters the "foundationalist" view he opposes in the following way: "It is really difficult to know what some critics have in mind when they appeal to absolute ["objective" in their sense] grounds. An absolute ground would have to be a ground which does not itself have a ground, a groundless ground, which sounds like a meaningless notion ..."[10]

Madison's argument depends on a blatant ambiguity in the use of "groundless." To claim that a proposition is self-evident is to say that its truth does not depend on something else. Its truth is apparent "on inspection" and requires no further grounds to justify it. But "groundless" in this sense does not mean "arbitrary," a different sense of "groundless": just the point of claiming self-evidence is to say that a proposition is *not* arbitrary. Of course Madison may deny that there are self-evident truths, but this requires argument rather than assertion.

Whether or not "foundationalism" is correct, I certainly do not wish to claim that anyone who rejects this position counts as an irrationalist or a relativist. Whether or not these latter terms apply to a philosopher's position depends, it seems to me, much more on the role it accords reason than on whether it is "foundationalist." Many moral "intuitionists," e.g., think that one can directly grasp the truth of various moral propositions but do not think these derivable from a basic principle or ground. Sir David Ross and H. A. Prichard, who held this position, are not usually thought of as irrationalists.

No formal definition of "irrationalism" or "relativism" will be offered here. But as the critics of hermeneutics use these terms, someone who denies or very strictly limits the ability of reason to attain truth counts as an irrationalist. "Truth" here is understood in a way in which these two statements are *not* equivalent in meaning: (1) "*X* is true" and (2) "A consensus accepts *X*." Further, the truth of the second statement normally does not provide sufficient evidence for the truth of the first statement.

A relativist claims that most or all of someone's beliefs reflect the perspective of a group to which the person belongs. Most people in Western societies give great credence to the laws of physics: as relativists see things, this fact reflects not the unavoidable truth of physics but an assumption present in our modern "worldview." Relativists hold either that people cannot distinguish between what their perspective inclines them to favor and what is true or, more extremely, what someone's perspective suggests to him *is* the truth ("for him" as is sometimes added).

If the disputed terms are taken this way, it will soon be apparent that Madison is both an irrationalist and a relativist. Why then does he deny this? The answer lies in his much more restricted analysis

[10]Ibid., p. 4

of the terms, according to which he has indeed been unfairly characterized by the opponents of hermeneutics.

The critics and Madison thus can reach agreement. The dispute over the first two charges arises only because of the differing ways the principal terms in them have been understood by the parties to the dispute.

One further *caveat*. The material presented below does not show that one ought not to adopt Madison's views. It is only an attempt to say what those views are.

To return to the main thread of Madison's case, let us now put his statements within the context of his treatise on *Understanding*. In the Introduction, Madison informs us that by "its very nature, therefore, science is hostile to cultural diversity, for each culture represents a different conception of what reality is, and, from a purely descriptive point of view, there are as many 'realities' as there are cultures. This violates the basic working premise on which science is built: the oneness of truth and reality."[11]

This sounds relativistic, but perhaps Madison himself does not mean to adopt the "purely descriptive point of view." The start of Chapter 1 closes this loophole: "Let us begin by boldly asserting a thesis in violation of all apparent scientific rationality: the understanding of the world characteristic of another culture cannot be adequately expressed in the language of Western science, for science is but one way of analyzing and understanding reality and for this very reason cannot legitimately claim to be universal."[12]

In defense of his denial of universality, Madison cites with favor the hypothesis of Benjamin Whorf that thought is relative to language. The various languages carve up the world in differing ways that are not perfectly translatable from one language to another. Students of Austrian theory will note the radical dissimilarity of Whorf's views with those of Mises. Mises's opposition to polylogism is especially to the point here.

Chapter 3, "Separate Reality," compares in some detail belief in witchcraft with belief in science. Madison relies for his information on witchcraft on the classic studies of the Azande in the South Sudan by Sir Edward Evans-Pritchard. He rightly notes that witchcraft for these tribesmen is a carefully elaborated system. According to Madison, "*A system as such cannot be falsified* [emphasis in original] ... it is obvious that magic involves circular reasoning. It cannot be criticized for this, however, since circular reasoning is not a defect in any system qua system. Indeed all systems of belief are circular, including science ... "[13]

But regardless of what people believe, does not science work in a way that witchcraft does not? Physical bodies obey the laws of grav-

[11]Madison, *Understanding*, p. 9.

[12]Ibid., p. 12.

[13]Ibid., pp. 88-89.

itation, even if they are located in the Southern Sudan.

To Madison, this point is far from decisive. "The fact of the matter is, however, that magic also 'works.' Indeed, it could be laid down as a general principle that any *sufficiently developed system is bound to work* [emphasis in original]. ... It is extremely difficult, therefore, to see how it could be maintained that science is better, more rational, or truer than magic in the absolute sense of the terms."[14]

Space does not permit a full summary of Madison's *magnum opus*, and with some regret one passes by his discussions of analogy, metaphor, and imagination and moves directly to the culmination of the work.

The climax of the work comes in this passage: "As a result of our attempt to overcome the rationalist tradition—*the* tradition in Western thought—we have been led into a position of skepticism."[15] Madison proceeds to raise against himself the objection that skepticism is self-refuting: "More precisely, when one says that all knowledge is belief and is historically and culturally conditioned (such that there is no one 'true' world that is identically the same for all), is he not making a statement that claims to be universally valid and therefore contradicts what it says?"[16]

Our author seeks to escape this predicament by distinguishing sharply between direct experience and theory. Like the Greek skeptic Sextus Empiricus, he thinks it valuable to show the equal "validity" of contradictory beliefs about experience.

If one asks why, Madison replies with perfect forthrightness: "The skeptical critique can begin to have its desired effect only when, as a result of 'setting things in opposition' one comes to see the relativity and groundlessness of one's habitual beliefs. ... This is anything but a comforting realization. It is, in fact, the 'dark night' of the understanding. The state of mind produced by a successful skeptical critique is anxiety."[17]

To this anxiety, three responses are possible. One can ignore the lesson of skepticism and retreat to one's previous condition of servitude, i.e., to dogmatism. If one does not seek escape from anxiety, then either one "may lose the battle and, overcome with realization of the folly of all belief systems, succumb to madness. Or one may win the battle and achieve a kind of knowledge—the knowledge of the ultimate impossibility of knowledge—which can be called wisdom."[18]

We are at last in a position to see why Madison so vigorously repudiates relativism.[19] Relativism denies that there is a reality

[14]Ibid., pp. 99-100.

[15]Ibid., p. 277.

[16]Ibid., pp. 278-79.

[17]Ibid., p. 284.

[18]Ibid.

[19]See for example, ibid., pp. 20 and 115.

apart from the various cultural systems of belief. Each society has its own "truth" and there exists no absolute perspective from which the different cultures can be judged.

For Madison, the problem with relativism is not that it repudiates truth but rather that it makes truth too readily accessible. There is indeed a reality beyond our culturally determined outlooks, but of it we can know nothing, other than its bare existence.

Now we can see the basis of Madison's protest. As he uses the term, he is not a relativist, since he does believe in the existence of reality. As the critics see matters, this view is still relativistic since Madison thinks that nothing except the existence of reality can be grasped in a way that is not relative of culture. (A similar point applies to the issue of irrationalism.)

Madison and the critics are both "right," since each group is using the terms "irrationalist" and "relativist" differently. Madison's defense here is as the critics see it, really an admission. Further, Madison's use of the term "relativist" is, to say the least, highly unusual. He is perfectly free to invent a non-standard use of the term according to which hermeneutics is not a relativist view. It is going rather too far to "criticize the critics" for intemperate usage because they, in accord with ordinary usage, conclude that hermeneutics is a type of relativism.

Madison thinks that hermeneutics has been subjected to one more unfair charge. Hermeneutics, contrary to the critics, is relevant to economics. Although he does not mention me, I think his comments refer to a passage of my "Hermeneutics versus Austrian Economics."[20]

Madison's comments are as follows: "The more vociferous critics of hermeneutics inform us that while hermeneutics may have some idle entertainment value as a mode of philosophy, it has nothing whatsoever to say to practicing economists. As evidence they point out that neither Gadamer nor Ricoeur has written on economic issues. This argument is such as to perplex even a hermeneuticist, who is not a person to scorn the values of rational argumentation. If the issue is the relevance of hermeneutics to economics, then it is obviously quite *irrelevant* whether Gadamer or Ricoeur has or has not written on economic issues. In that case it is up to other people, economists in particular, to draw out the relevant implications."[21]

Though lacking the desire to perplex Madison, I did indeed note that the major hermeneutic philosophers have not written about economic theory. I did not say that neither has written on "economic issues"; Ricoeur has written a number of socialistically inclined essays.

[20]David Gordon, "Hermeneutics versus Austrian Economics" (Occasional Paper; Auburn, Ala.: The Ludwig von Mises Institute, 1986).

[21]Ibid., p. 6

Heidegger, to mention someone Madison passes over here, has quite a bit to say about politics.

To turn to the substance of the argument, I do not at all claim that because particular writers have not discussed economic theory, hermeneutics has been proved irrelevant to economics. The comment to which Madison takes exception was but one step in an unsuccessful inquiry to determine why hermeneutics is thought by some to be relevant to economics. If there were a particular economic doctrine associated with the movement, this would of course answer the question. I raised the issue of the hermeneuticists' economic views simply to explore a possible reply to skepticism about the relevance of hermeneutics to economics.

Before turning to the major item in dispute, I hope I do not again arouse perplexity in Professor Madison if I object to his phrase "idle entertainment value." Certainly it is very far from my view that if a style of philosophy is unrelated to economics, it is for that reason lacking in seriousness or value. Whether Madison has me in mind here I am unable to determine; but one would like to know who among the "vociferous critics" has taken this position.

But this is by the way. The major hermeneutic philosophers have endeavored to show that understanding arises from a given context that to a large extent is practical in nature and not verbally articulated. Science, in their view, is not an absolutely true system that stands in sovereign independence above all else. It emerges from the world into which we are "thrown," as Heidegger puts the matter.

If one finds this position illuminating, fine. But it does not rule out or even throw into question any scientific discipline or technological process. It does subject to challenge certain philosophical interpretations of science, but it leaves the sciences strictly alone.[22]

An economist can be as completely "scientistic" as he pleases and remain a good hermeneuticist. Madison, on the contrary, contends that "while hermeneutics does not ... mandate a method or set of methods for any discipline, it nonetheless does have something important to say on the issue of methodology."[23] If "we hold that the proper object of economics is human *subjects*, a hermeneutic approach ought to be pursued and a scientistic one dismissed." The "hermeneutical critique of objectivism," if taken to heart by economists, will free the discipline "to become what it ought to be if it is to be genuinely *human science*."[24]

Here one must ask: *why* should economics be a discipline that

[22]An excellent article showing the irrelevance of hermeneutics to social science is Mark Okrent, "Hermeneutics, Transcendental Philosophy and Social Science," *Inquiry* 27 (March 1984): 23-50. Okrent, far from being prejudiced against hermeneutics, is a strong proponent of Heidegger's philosophy.

[23]Gordon, "Hermeneutics versus Austrian Economics," p. 6.

[24]Ibid., p. 6.

endeavors to understand human beings? Hermeneutic philosophy neither requires nor suggests this, any more than it tells psychologists or biologists what to do. If "human science" entails the use of hermeneutics, all Madison is saying is that if one postulates that economics is a hermeneutic discipline, then it will turn out to be one. If, however, one claims that since Austrian economics does view economics as a "human science," it can benefit from attention to hermeneutics, I have no a priori objection. "The proof of the pudding is in the eating"; and if a hermeneutic economics is in the offing, let us see it. I do venture one prediction: we have a long wait in store for us.

David Gordon
The Ludwig von Mises Institute

A Conflict of Visions: Ideological Origins of Political Struggles. By Thomas Sowell. New York: William Morrow, 1987.

Thomas Sowell has achieved an enviable reputation in many different areas of economics. His many works on the economics of immigration, culminating in *Ethnic America*, have won him an eminent place in this field. His *Knowledge and Decisions* applies in a comprehensive way the insights of Friedrich A. Hayek to a vast number of social phenomena. As if this were not enough, Sowell has also published widely in the history of economic thought.

It is with no little anticipation, then, that one turns to Sowell's venture into the history of ideas. Will the insight and imagination displayed in his previous work enable him to contribute a new way of looking at intellectual history? Admittedly, perusal of his *Marxism: Philosophy and Economics* dims one's enthusiasm. That book offered little but a tired rehash of elementary Marxist economics, presented as a major piece of scholarship.[1] Further, except for in the final chapter Sowell manifested a surprising sympathy for Marxism.

Sowell has made the work of analysis of his book as straightforward as possible, since he has carefully constructed it around a central thesis which the title adumbrates. What does Sowell mean by a vision? He informs us that "a vision is a sense of *causation*." It is more like a hunch or a "gut feeling" than it is like an exercise in logical or factual verification. "These things come later, and feed on the raw material provided by the vision" (p. 16). The "hunches" that Sowell concerns himself with do not primarily involve moral judgments. "People with the same moral values readily reach different political conclusions. ... Labeling beliefs 'value premises' can readily become one more means by which conclusions insulate themselves from confrontation with evidence or logic" (p. 217).

Before plunging into Sowell's distinction between "constrained" and "unconstrained" visions, the principal subject of the book, a pause over "vision" seems necessary. Sowell may mean by this an innocuous truism: theorists rarely arrive at a total system at once but rather extend and shape an initial conjecture as evidence turns up and as

[1]In support of my assessment, see the review by David Ramsay Steele in *International Philosophical Quarterly* 26, no. 2 (June 1986): 201-03.

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consequences of their initial insight occur to them. Even interpreted this way, Sowell's explanation of "vision" can be challenged, as he seems later in the book to rule out, without consideration, the development of a theory by a priori reasoning, in the style of Mises's praxeology, instead of by empirical testing.

But this issue hardly concerns him, and it would be wrong to read too much into his brief remarks about method. The controversial part of his remarks arises from the fact that, as the citation above shows, he almost certainly intends more by the use of "vision" than the commonplace that theorists begin from conjectures. He offers no evidence whatever that any theorist has in fact begun from a "gut feeling" about social causation. He also gives no support for his view that moral judgments are not part of the visions from which theories start.

To avert misunderstanding, I do not claim that it is false that theories stem from visions of Sowell's sort. He may well be right; as guesses go, his seems better than many. But this is just the point. In the absence of evidence as to how particular thinkers have arrived at their theories, Sowell's "visions" are just a shot in the dark. Even if one finds the two types of visions into which Sowell divides theories of society to be a dichotomy of surpassing excellence, this would in itself indicate a fact about theories that already exist. To say that theories can be grouped in a certain way tells us nothing about how the theories came into existence.

Another instance of Sowell's penchant for confusing conjecture with historical fact occurs, ironically enough, in a section of Chapter 9 entitled "Paradigms and Evidence." To illustrate the danger that one's vision may lead to refusal to acknowledge evidence that falsifies a theory, Sowell instances the case of the British psychologist Cyril Burt. Since Burt's death, examination of his use of statistics in his studies of mental ability has strongly suggested that he "faked" some of the data.

Concerning Burt's misuse of data, Sowell remarks: "The issue here is not heredity versus environment but evidence versus visions. Clearly, Burtt [sic] had little to gain personally from falsifying the data. In fact, he had much to lose, including a reputation and a painful setback for the cause he espoused. That he would risk such a gamble is one measure of his commitment to his vision ... Sir Cyril Burtt [sic] thus represented one extreme in the relationship of evidence to visions—the total subordination of evidence to conclusions based on a vision or the theories derived from it" (pp. 207-08).

Sowell's conjecture about the reasons for Burt's misuse of data may be correct. But Sowell offers no evidence whatever on the matter. Has Sowell done any research on Burt? Has he as much as opened any biographical studies of Burt? Has he considered other hypotheses, e.g., "kinks" in Burt's personality? Somehow Sowell just *knows* what happened. Incidentally, Sowell states that eventually, even

Burt's supporter Arthur Jensen had to admit that Burt's statistics were unacceptable. In point of fact, Jensen was one of the first to call attention to the difficulty. But perhaps Sowell's vision has transmitted Jensen's thoughts to him as well as Burt's.

Sowell's reason for excluding moral judgments from his visions seems unconvincing. Granted that there are "visions," will not their contents depend very much on the idiosyncracies of individual theorists? Why should one exclude someone's development of a theory because of a "gut feeling" about morality? No doubt Sowell is right that people with different moral views often have similar policy conclusions. But is this always the case? People who believe that certain ethnic groups ought to be killed sometimes have quite different policy conclusions from those who do not share this position.

Suppose, however, that people's moral views *never* determine their policy conclusions. It still does not follow that moral judgments cannot form part of the initial vision from which a theory begins. Perhaps, on the implausible assumption stated, moral judgments "drop out" at some point. This once more appears entirely a question of "what makes people tick."

Regardless of whether anyone has ever had a close encounter of the Sowell kind, his visions can, as suggested earlier, be looked at as ways of classifying actually existing theories. Sowell contends that social theories fall into two main kinds: "constrained" and "unconstrained" visions.

One further preliminary matter needs to be addressed before we at last examine the visions. Sowell, in accord with his views about the limited role of value judgments in social science, maintains that his two visions are, as a matter of fact, a useful tool for analyzing social theories. His statement of the two visions does not express a value preference of his own; in particular, in his presentation he does not argue that the constrained vision is correct. Sowell has reacted with sharpness to reviewers who take him to be praising one vision while condemning the other, and his grievance has considerable merit. Examination of Sowell's other work will disclose without difficulty that Sowell is a prime instance of the constrained vision. But it hardly follows from this that his present book is a work of advocacy rather than neutral assessment. There is, however, excuse for the reviewers, as we shall later see.

What, then, are the two visions? Our author places prime emphasis on the attitude toward human nature characteristic of each one. The two visions differ mainly over what human beings can become, not what they now are like. "In the unconstrained vision, human nature is itself a variable and in fact the central variable to be changed" (p. 87). People may *now* be as selfish and shortsighted as you please; but given the "right" conditions, usually involving direction by an elite, a veritable metamorphosis will occur. Persons will now work happily together in harmony: all *will be* for the best in this best of all possible worlds. A change in human nature, one assumes, means that human beings will acquire traits they do not now have. Unfortunately, Sowell does not offer a definition of "human nature." The problems this omission generates will be discussed below.

The constrained vision looks at human beings as basically unalterable in their nature. Adam Smith, a key exponent of this outlook, believed that "moral or socially beneficial behavior could be evoked from man only by incentives ... " (p. 23). Rather than a futile attempt to make people "better" than nature has designed them, one can accomplish more by acknowledging the limits within which people function.

Together with contrasting approaches to human nature goes differing concepts of reason. For the unconstrained vision, reason is a direct and explicit matter. If one desires social change, the agenda is clear: one must devise a suitable plan, and carry it out. Explicit principles are the order of the day, rather than reliance on custom. If the usual way of doing things fails at the bar of reason, away with it.

The proponent of constraint rejects this fast and furious policy. He does not deny the value of what Sowell terms "articulate reason" when social conditions allow exactly formulated measures. But much of the operation of society takes place by means of customary rules that cannot be fully specified. Too much information exists for any person or group to have at their conscious command. Instead, one needs to rely on "the unintended consequences of human action" which will succeed in generating an order beyond the capacity of anyone to grasp in comprehensive fashion. The free market stands as the foremost example of a "spontaneous order." The task of the government, in this view, lies rather in providing a general framework of rules which permits unplanned social institutions to function than in enacting plans of its own.

The position just sketched will be familiar to anyone who has encountered the works of Friedrich Hayek; and the frequent references the book contains to him lead one strongly to suspect that Hayek is the principal model of the person of constrained vision. Since Sowell's main work of theory, *Knowledge and Decisions*, sedulously follows in Hayek's footsteps, perhaps our author should not protest too loudly when reviewers of *A Conflict of Visions* ascribe to him the identical constrained view he has elsewhere explicitly taken over as his own.

Again following Hayek, Sowell maintains that the constrained vision offers little scope for the application of moral theory. It displays but slight concern for moral rights when these do not operate for the general benefit. People cannot "stand on their rights" if doing so proves overly inconvenient to society. Law concerns itself with what works best in general and often cannot be fine tuned to handle claims that particular persons have been unjustly treated. "This is a *process* conception of rights—the legal ability of people to carry on certain processes without regard to the desirability of the particular results ... " (pp. 185-86).

In brief, the constrained vision stresses the "primacy of social interests over those of the individual ... " (p. 187). By contrast, unconstrained visionaries place much more emphasis on what is right, apart from its social consequences. To a holder of this view, e.g., someone does not lose his right to free speech even if his exercise of that right is liable to foment disorder. Rights arise not from their usefulness as a tool to oil the social mechanism; they are owed to their possessors. It is morally wrong to refuse them their due recognition. Similarly, if an unconstrained visionary thinks that the poor ought to receive welfare, he will tend to regard this as a matter of justice. Like John Rawls, he will endorse a moral theory obligating people to transfer income to the needy. The person of constraint will tend to eschew altogether arguments based purely on moral theory. In his view, the working of society allows no room for these speculative ventures to operate. This attitude receives its clearest encapsulation in the title of the second volume of Hayek's *Law, Legislation, and Liberty: The Mirage of Social Justice.*

To reiterate an earlier point, the differing importance each vision accords to moral theory does *not* indicate conflicting value judgments. Quite the contrary, the advocate of constrained vision shares the same desires to aid the needy of his more freewheeling opposite number. It is not that he is an Ebenezer Scrooge disdaining any concern for the unfortunate. Rather, he believes that the spontaneous order of the market best helps the poor. The concept of "social justice" leads exactly to the abstract rationalism he wishes to confine within rigid limits.

Sowell includes substantially more in the book, including an application of his social visions to various policy issues and a discussion of evidence. But what has been said so far gives enough of a basis for an analysis of his thesis.

The difficulties begin with the first of the characteristics of the visions, i.e., each one's attitude toward human nature. Many people have thought that changes in institutions can produce radical changes in people's behavior, but it is not clear that this involves belief in a change in human nature. Instead, it may be that the same human nature is held to be capable of quite different forms of life under various conditions.

If, like Shelley, one believes that "Power, like a desolating pestilence, pollutes whate'er it touches; / And obedience, bane of all freedom, virtue, justice, truth, / Makes slaves of men; / And of the human frame, a mechanized automaton," one may think that the abolition of government will have beneficial effects. But these need not come about through changes in human nature: philosophical anarchism of Shelley's kind may be based on liberating potential held already present in human beings.

I do not argue that Sowell incorrectly attributes to anyone in particular a belief that human nature is alterable. Rather, he fails altogether to draw the distinction just mentioned, making his analysis of the unconstrained visionaries difficult to assess. Even if one takes William Godwin, the ubiquitous example Sowell offers of someone whose vision was stratospherically unconstrained, one still wishes to ask: did Godwin think that the abolition of government and of false doctrines of morality would change human nature? It is not clear that he did. In a passage that Sowell cites, Godwin advocates attempting to appeal to "the generous and magnanimous sentiments of our natures" (pp. 2-5, quoting Godwin, *Enquiry Concerning Political Justice*). This hardly supports the view that Godwin wished to alter human nature. Here he seems to be saying that treatment of a certain kind will elicit a response from traits already present.

Admittedly, some passages in Godwin require considerable straining if one denies that Godwin did indeed contemplate a change in human nature. When, for example, he speculates that the future may bring an end to death, one can but gape in astonishment. But, once more, the point at issue is not whether Sowell has rightly or wrongly appraised Godwin; it is that he does not distinguish changes in human nature from changes in the environment which manifest traits that people have now. For a change in human nature, certain traits *not* currently present would have to emerge.

In defense of Sowell, it might be argued that we have been making too heavy weather of a distinction of minor importance. Is not the vital core of Sowell's argument that some theorists believe that people will always be largely self interested, with at most a tincture of altruism; while others think that in changed circumstances people can become devoted to one another's welfare? As Marx put the latter viewpoint, in a "higher stage" of socialism, "the free development of each will be the condition for the free development of all."

Here, as it seems to me, the suggested difference does not do quite the job Sowell has in mind for it. Presumably, the difference between what the two visions expect from human beings is supposed to emerge in action. The day when "the secrets of all hearts shall be revealed" does not, after all, belong to *human* history. If behavior, then, is the visible manifestation of what traits people have, does not the distinction Sowell has in mind reduce to one between those who expect different conditions to bring about substantial changes in human action and those who deny this?

The difficulty for Sowell, if he accepts this reconstruction of his distinction, is that many advocates of the constrained vision come down on the wrong side. Persons who criticize unconstrained visionaries usually think that their radical plans for a new social order will worsen things. If, instead, one supports institutions that accord with human nature as it actually is, they think that much better results will ensue. If, e.g., one relies on the market to channel self-interested businessmen to fulfill the preferences of consumers, success appears far more likely than if one attempts a Procrustean policy of remolding people. No doubt; but looked at from an external point of view, *both* "constrained" and "unconstrained" visionaries believe that institutional change will make a vast difference to the sort of behavior prevalent in society. Once one puts some pressure on the idea of a change in human nature, the difference between the visions, as Sowell presents them, seems entirely a matter of varying approaches to policy and morality. The alleged difference in views on human nature "does no work"; it adds nothing to the visions.

Sowell might try to escape this argument by strengthening the view of human nature characteristic of the constrained vision. On the revised view, "constraint" would *really* mean constraint. A proponent of this version of the position would claim that little or no change in the condition of society is possible, regardless of what people do. We are just "stuck with" human beings as they are and that is that. A new problem arises here, however. On what grounds can the policies of the unconstrained vision be opposed? True, they will leave human nature as it is, but so will everything else. Why is any policy better or worse than another, if none affects the way people act?

Perhaps Sowell's best chance for escape is to attribute to the constrained vision the view that things can get worse than they now are but not much better. This gives both a reason to oppose certain measures—they will cause harm—yet at the same time the "not much better" provision distinguishes the position from its rival vision. The obvious difficulty here is that of the baseline. Worse or better than what? The economic system now prevalent in the United States? But do not those who fall within the constrained camp often think that some economic changes produce a great improvement? Hayek himself hardly takes the line, "Capitalism is the best we can hope for, and it is not very good."

Sowell's analysis of reason also gets him into some dubious areas. As he presents matters, advocates of the constrained point of view favor the market system. Those in the enemy camp find the market's reliance on inarticulate reason uncongenial. Favoring explicit planning as they do, they naturally incline to support central direction. Here Sowell's portrayal fits perfectly, if his aim is to sum up in brief the essential doctrines professed by F. A. Hayek. If, as seems apparently the case, he has a more ambitious goal and wishes to characterize major approaches to society in a way that "cuts at the joints," the analysis Sowell offers is more open to objection. Many free market advocates think that people can consciously decide to establish a market society. Although of course the market itself operates without central planning, it by no means follows that establishing a market order requires that one rely on a supposed "inarticulate reason." To think otherwise is to adopt a too exclusively Hayekian outlook. Ludwig von Mises, Hayek's teacher, was much more "rationalistic" than Hayek. Yet, contrary to what Sowell's classification system would lead one to expect, Mises more strongly supported reliance on the market than Hayek does. The nineteenth-century Continental liberals, whom Hayek spurns as overly rationalistic, again were firm defenders of the market—the prime example, in Sowell's opinion, of a constrained social policy. To avert a possible misunderstanding, Sowell does *not* say that all on the constrained vision team must support the free market. Marx, whose vision Sowell thinks was in good part constrained, of course did not. Nevertheless, the free market is supposed to be a prime instance of a social institution that operates by inarticulate reason. As such, it fits into the constrained model.

In brief, my criticism is that both constrained and unconstrained figures have defended an institution Sowell thinks a criterion for one (but not the other) of the visions. Another criticism arises when one looks at a different connection, that supposedly present between emphasis on process and a pessimistic view of human beings. Thomas Hobbes certainly qualifies as taking a low view of human nature: to him, the dominant passion controlling human beings was the fear of violent death. Much controversial ink has been spilled over the issue of whether he was a psychological egoist; but even if he was not, there is little place in his system for actions done out of regard for others. Nevertheless, Hobbes's account of the origins of the state falls squarely within the "constructivist rationalist" camp. Thus, a strong "constrained" position on one issue combines with an equally powerful "unconstrained" account of another.

Many of the nineteenth-century classical liberals painted glowing pictures of the future of society that placed them outside the bounds of the constrained. But just what in their opinion would lead to such happy results was complete reliance on the market mechanism. Their adherence to a constrained theory of how society works led them directly to an unconstrained picture of human potential. Had Sowell examined the *Economic Harmonies* of Bastiat, instead of concentrating with such singleminded attention on William Godwin, his visions might have had quite other contents.

The examples just given cannot be dismissed as aberrations. What is supposed to be the logical connection between a pessimistic view of human beings and a reliance on process as opposed to "articulate reason?" The two areas appear entirely distinct. Someone with a pessimistic position, e.g., will not think that people can achieve very much of value; but this does not tell us the role he accords to articulate reason. Similarly, an optimist will adopt a roseate view of whatever he thinks the best method of running society.

Perhaps the relation between the two areas is supposed to be this. If someone takes a "low" view of human beings, he will not rate highly their reasoning ability. Thus, he will fear to place much confidence in planning and will think reliance on custom and institutions which have arisen through evolution to be essential. Further, he will be very dubious of the *bona fides* of social reformers who promise wonders if power is handed to them. His suspicions will extend to self-anointed Platonic guardians as well. A pessimist will indeed be skeptical about abstract reason and its acolytes, but the conclusion that he will seek refuge in "inarticulate reason" does not follow. He may think that owing to the defects of human beings, however bad the results of planning, this is still "the best we've got." Once more, one's assessment of the best method of dealing with social problems is distinct from how much success one thinks it possible for human beings to attain. (For the past few paragraphs, I have put to one side the criticisms advanced against Sowell's account of human nature and assumed that we know in a rough-and-ready way what he has in mind.)

Although I have directed some criticism toward Sowell's account of the constrained attitude to reason, his presentation of the way the market works has considerable importance. Many social theorists ignore the "economic point of view." They fail to realize that the choice of one goal entails costs elsewhere and that not all "good things" can be achieved at once. Sowell's brief presentation of the free market may give some of them pause, should they chance to come upon it.

Our evaluation of Sowell's remarks on morality must be much more "constrained" in its enthusiasm. Sowell deprecates the importance of "value preferences": as he sees it, people have quite similar preferences but differ sharply on the best means to achieve their goals.

Sowell radically underestimates the significance of differences in moral outlook. Some people, e.g., presented with the elementary argument that shows why minimum wages will result in unemployment, will continue to support this measure. Unemployment of some may help particular groups to raise their income, and these latter may not care about the ill effects on others.

Nor are cases of conflict restricted to clashes between morality and "selfishness." Ronald Dworkin, a leading political and legal philosopher, favors egalitarianism even though it may involve some degree of lessened economic efficiency. To a large extent, Dworkin would concede to Sowell the importance of the market. He would demur from the "constrained vision" view that since "everyone" wants prosperity, considerations of justice must "get out of the way" if they interfere with the processes by which society operates.

Although Dworkin's substantive account of justice seems to me wrong, his view that morality is relevant to social theory makes much more sense than the view Sowell attributes to the constrained visionaries.

It may well be true that most people want an efficient economy, but it is a far cry from this to thinking that morality has nothing to do with the market. For one thing, how can one acceptably delimit the property rights people possess without reference to rights? The constrained visionary, as Sowell presents him, would no doubt reply that people should simply accept whatever system of property evolution has been served up to them. But why should they? Their doing so surely is not needed for the working of the market, since the market can operate with any generally acceptable scheme of rights. Why then need anyone who acknowledges the importance of the market avoid the notion of justice? Of course, some theories of justice are inimical to the market order, such as Rawls's system as usually interpreted. But even the constrained visionary and his ventriloquist Sowell should be aware that other moral theories support the free market. What is wrong with libertarian natural rights?

The argument is not altered if one takes account of Hume's point that since any private property system is better than none, people ought to avoid changing a conventionally established system lest they bring about disorder. The effects of particular changes are an empirical matter: will *any* alteration of what exists upset everything? How much disorder one is willing to tolerate, if necessary, to institute a morally appropriate system seems a matter for discussion, not one to be settled by reference to a spurious dichotomy of types of vision.

Once more, then, the items in Sowell's visions manifest no coherence. Someone who favors the free market need not adopt the moral skepticism that Sowell thinks appropriate to someone of constrained vision. Unless, like Sowell and his mentor Hayek, one is already a moral skeptic, one will not at all find that the operation of the market makes nugatory appeals to moral theory. Even if one thinks that social reason is largely inarticulate, moral theory can still remain. Why cannot a moral theory operate by inarticulate means? (I do not myself favor this approach but wish only to appoint that Sowell's presentation of inarticulate reason leaves it open to acceptance.)

A defender of Sowell might contend that we have misunderstood the point of his visions. He need not be taken as claiming that the various points of each vision are logically connected. Rather, the visions are a useful tool in looking at intellectual history: many thinkers can in fact be grouped in the way Sowell has set forward. Nor is the value of the scheme much affected by the fact that some thinkers—Sowell instances Karl Marx and John Stuart Mill—do not fall completely within either of the categories. No system of classification is perfect.

It seems to me wrong to say that Sowell thinks it a pure matter of fact that the elements of each vision go together, just as it happens to be the case that no state of the United States has the letter "Q" in its name. On the contrary, Sowell thinks that the positions included in his visions *do* fit together, and it is this claim I have been principally concerned to challenge.

Considered just as a method of classification, little can be said apart from a detailed consideration of its application to particular theorists. One more general problem with the scheme, however, is that few important writers seem to fit comfortably within the unconstrained camp. Sowell continually has to discuss Godwin—an underestimated but not *that* significant a figure—in order to have a case of someone who fits this side of his system.

Sowell's unconstrained vision accurately characterizes a number of twentieth-century "leftists" whom he mentions, such as Gunnar Myrdal. But apart from passing mention of Condorcet, Fourier, Paine, etc., he does not discuss any supposedly unconstrained visionary who lived before the twentieth century except Godwin. The only major contemporary theorist he deals with in this group is John Rawls; and Sowell grievously misunderstands him. Sowell thinks that Rawls's theory of justice uses abstract principles to ride roughshod over the processes by which the market functions efficiently. Contrary to Sowell, Rawls's difference principle does make provision for economic efficiency, since inequalities that are to the benefit of the worst-off are allowed. Someone who agrees with Sowell that the free market works to the advantage of the poor need have no trouble with the difference principle. Rawls himself does not share this view of the free market, but this is a factual issue, not an issue of the theory itself. Hayek thinks Rawls's theory largely compatible with his own views. Nothing in the preceding remarks is intended as an endorsement of Rawls's theory; but even a wrong theory does not justify the use of bad arguments to criticize it.

Further, if in fact the elements of Sowell's visions do not fit together logically, it may be that his system "works" only to the extent that it is parasitic on divisions of genuine intellectual importance. Two that come to mind are that between supporters and opponents of the free market and another between moral skeptics and "cognitivists." Also, though even a good classification will not fit everyone, even a useless scheme will fit *some* people.

Like all of Sowell's books, *A Conflict of Visions* is composed in a style that is easy to read, if at times boring in its unvarying and nondescript tone. Unlike much of his previous work, it is lacking in intellectual substance.

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A Farewell to Marx: An Outline and Appraisal of His Theories. By David Conway. New York: Penguin Books, 1987.

David Conway's book supplies what many have been seeking for a long time—a reliable introductory study of Marxism which can be recommended without reservation to students. But he has also accomplished more. Even experienced scholars will find his discussion insightful and original.

The author concentrates his discussion around one central question: on what grounds did Marx condemn capitalism and wish to replace it with socialism? Three issues come to the fore in Marx's response. First, Marx believed that capitalism causes alienation, a dire though nebulous state of affairs which socialism would overcome. Second, capitalism rests on exploitation of the working class. Third, capitalism, once a progressive system, now blocks the growth of the forces of production. Inevitable economic crises will replace it with socialism. In this system, central planning will enable production to increase to a vast extent.

Conway rejects all of these Marxist claims and in the course of his analysis of them gives a masterly conspectus of the entire Marxist system. To turn at once to the first issue on Conway's agenda, our author gives short shrift to "alienation," a much discussed word that has behind it little substance.

Marx believed that workers under capitalism lack autonomy, since they work for capitalist employers and do not decide for themselves what they wish to produce. Nor does the capitalist have in mind the development of the laborer's creative powers. On the contrary, capitalism rests upon the division of labor. The consequence of this method, in which tasks are split up into small, specialized operations, is that work often stultifies creativity.

Conway disposes of Marx's indictment quite easily. If workers want "creative" work, they are free to demand this, and whatever other conditions they wish, from their employers. Workers are also free under capitalism to establish firms under their own control: what could be more autonomous than this?

There is, however, one "catch." No guarantee exists that workers in "creative" conditions will be able to earn enough money to justify

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the greater production costs of these conditions. If workers do cover the increased costs, it is hardly likely that their salaries will be as high as under capitalism.

For this the reason is evident. If creative, "non-alienated" conditions were more productive than those that at present exist, employers would rush to establish them. As Marx himself noted, capitalists aim constantly for profit and they are hardly likely to overlook a superior way of inducing more and better work.

The facts, unfortunately for Marx, are entirely otherwise. It is just the system of division of labor which he condemns, not his non-alienated utopia, that is most productive. If so, then a well-established economic theory tells us that wages will be higher here than under alternative methods of production. Labor receives the discounted marginal value of its product. Less technically, the wages of labor depends on what it produces. If, then, "better" working conditions reduce production, wages will also fall.

Much to the surprise of some Marxists, if no one else, workers usually prefer higher wages to the "creative" work others think best for them. If workers choose more pay over the alleged benefits of "non-alienated" work, is this not a supreme example of autonomy? By earning more money than otherwise possible, workers increase the goods and services available to them. Some workers are benighted enough to prefer watching baseball on television to spending time in socialist "re-education" camps.

But, the socialist will say, why choose between better working conditions and more goods and services? Under central planning, one can have both. A "higher" stage of socialism, at any rate, will in Marx's words make "the free development of each the condition for the free development of all."

Such promises have by now a hollow ring. No reason exists for thinking central planning will aid in overcoming alienation. As Conway notes: "Let us first consider the claim advanced by Marx that communism permits each individual to do what he likes, as he likes, when he likes during the period of work. This, surely, must be rejected as purest fantasy. Apart from anything else it seems totally incompatible with having a centrally planned economy. How could planners ensure that there would be enough people in each branch of industry at each moment of the working day should each individual have complete freedom to decide what he does during it?" (p. 47).

Further, a socialist economy of any complexity would not work at all. Here of course the calculation argument of Ludwig von Mises is decisive: without markets, a developed economy will be unable to produce capital goods efficiently. Briefly put, Mises has removed socialism as a "live option."

I venture to suggest that Conway ought to have made more use of this decisive point. He does mention the calculation argument, which he terms "the argument from ignorance" (pp. 184-85). But he credits it to Friedrich A. Hayek, not Mises; and he thus does not state it in its strongest form.

Though Conway's treatment of alienation on the whole deserves high praise, the most outstanding part of the book is his section on exploitation under capitalism. As Conway notes, "exploitation" is a technical term in Marx's economics. Marx believes that workers sold their employers their labor power—their capacity to labor—while their wages were determined by the cost of the commodities workers required to subsist. More exactly, the "cost" of labor depends on what a particular society regards as an acceptable standard of life. As Conway notes, this need not be bare physical subsistence (p. 97). The gap that existed between labor power and the cost of labor explained the secret of capital. How, if a capitalist both bought and sold everything at its value, could he make a profit? Marx's account of labor provided his answer, and it is this very gap that constitutes exploitation.

If capitalism has a "secret," then as Conway shows, Marx's account leaves it a very well kept secret indeed. His explanation of profit relies on the labor theory of value. Conway, here following the classic treatment of Böhm-Bawerk, demolishes this theory quickly and effectively. It assumes that in an exchange, each commodity traded has an equal value with whatever in that exchange is given up for it. On this assumption, Marx inquires: what do all commodities have in common that enables us to determine the ratios at which commodities equal each other? He locates the answer in labor. Two commodities exchange in proportion to the average socially necessary labor time required to produce each one.

This account goes wrong from the start. An exchange is not an equality, far from it. Each person in an exchange prefers what he obtains to what he gives up: how could the trade otherwise voluntarily take place? An exchange is then a double inequality, not an equality. And on this sounder theory, one can readily build up a theory of value much superior to the Marxist account. Conway presents this competing view, the subjective or marginal utility theory of value, in a clear and simple way (pp. 98ff). And on this account, the worker is not "exploited."

Perhaps wisely, Conway passes by the complicated "transformation problem." This is Marx's convoluted attempt to square the circle—his attempt to show that his labor theory could explain why prices of production do not correspond to labor values. Böhm-Bawerk exploded for all time Marx's manifold fallacies here.

Instead, our author turns to ethics: does capitalism wrongfully exploit the worker? Here "exploit" is used not in its technical sense in Marxist economics, but in its ordinary language meaning. Incidentally, Marx's choice of the term "exploitation" has considerable rhetorical force. It would not follow, if his view of economics were right, that there is anything unsatisfactory in labor's receiving less than its capacity for labor enables it to produce. But the use of the word "exploitation" serves to make part of Marx's case for him. It is quite easy to forget Marx's technical meaning and slide over to the ordinary language use, in which exploitation by definition is objectionable.

But to return to Conway, on what grounds do Marxists claim workers are exploited? Much of their case rests on the false assumption that the capitalist is not doing anything. But surely providing capital is an essential task of production. Nor is Marx justified in ridiculing the theory that interest payments reward capitalists for abstinence. No doubt capitalists could not in all cases readily consume personally the wealth they now invest: but they need not invest anything. The fact that they do invest, then, does indicate a sacrifice of possible consumption (p. 112). Conway's case could have been made even more effectively had he explicitly brought in the Austrian view that interest payments reflect the rate of time preference.

Suppose one grants that Conway is right. Capitalists are not useless drones but exercise a productive function of vital significance. A socialist might attack on a different front: he might admit that capitalists are productive but deny that they have justly obtained their property.

To this Conway has a ready reply. He denies that it is unjust for individuals to hold land and other resources for productive purposes. Appropriating unowned land, e.g., need not prevent anyone else from access to the means he or she needs to have a fulfilling life. Hence morality imposes no bar against appropriation.

In this argument, Conway appeals to a principle of rights that strikes me as dubious. Following the philosopher Samuel Scheffler, Conway states: "we shall construe every person as having a natural right to a sufficient share of every good capable of distribution whose enjoyment is a necessary condition of a person's having a reasonable chance of living a decent and fulfilling life." (pp. 117-18). (Conway holds that the right is subject to one qualification, but this does not affect our discussion.) As Conway interprets this principle, it allows property acquisition subject to something quite like the "Lockean proviso": there must be "enough and as good" (p. 19) of whatever is appropriated left over for others.

I cannot think that the restrictions Conway's principle impose on acquisition of property can be defended in the fashion our author sets forward. *Why* does everyone have so extensive a natural right as Scheffler's principle mandates? Do persons physically unable to provide for themselves have a natural right that others provide them with medicine and nursing care? Are those with high standards of living obligated to devote large shares of their resources to aiding the destitute in Ethiopia and Bangladesh? Though I cannot argue the point here, I think that the straight-forward Rothbardian variant of Lockean rights avoids these and other problems.

But even if Conway's view of rights is wrong, his adoption of it serves a useful purpose in the case against Marxism. If even his overly permissive view of rights allows property rights, how much more can they be supported on a more restricted view of the goods and services people are entitled to claim from others?

One escape remains to the Marxist. He may hold that, whether or not there is in principle an objection on moral grounds to private property, in practice the question admits of but one response. In actually existing capitalism, wealth was mainly acquired through plunder of colonies and the use of slave labor.

This Conway denies. He claims that "landed and colonial wealth played virtually no part in financing the first capitalist industrial ventures." In fact, capital expanded through exactly the account Marx ridiculed; businessmen in the Industrial Revolution tended to "plough back" nearly all their profits in further investment (p. 111. Conway's sources are works of R. Cameron and F. Crouzet, as cited at pp. 214-15.)

Capitalism, Conway has abundantly shown, stands acquitted of the charge of exploitation. But what of the Marxist claim that the capitalist system leads inevitably to crisis and collapse? Here, space compels me to be brief. Suffice it to say that this claim too stands bereft of support.

Marx's theory of capitalist development has both a general basis in the "laws" of history and includes specific means by which capitalism fulfills these supposed laws of history. The first of these depends on the view that productive forces—roughly the technology and methods of production that exist at a time—tend continually to grow. The economic system that exists at a particular stage of history is the one that best enables the forces of production to grow. When the system reaches the limits of the growth of capital within it, a new system will replace it. Conway notes that Marx's explanation of the economic system is a functional one. That is, he explains the economic system by its role in promoting the growth of the forces of production.

But this sort of explanation is at best incomplete. The growth of the forces of production does not precede the system whose existence it is supposed to explain. How then is it supposed to explain it? Granted the "function" of the system, some causal account is needed to explain how the economic system exists. Otherwise, our causal explanation will go in the wrong direction—the (later) production forces will "cause" the (earlier) system that enables them to develop. In a detailed discussion, Conway maintains that G. A. Cohen, the leading supporter of this sort of functional account, has not filled his analysis out in an acceptable way (pp. 73-75).

There is a further point that to my mind invalidates the Marxist theory. Why should we assume that *each* new economic system is the one that will allow the maximum development of the productive forces possible at a particular time in history? Isn't it the case, e.g., that capitalism would have been a more productive economic system than feudalism? (I cannot think acceptable the contention of Douglas North that feudalism is a type of capitalism. But if one thinks there is "something to" this, rephrase the point: isn't a capitalist system that need not be bound by feudal restrictions always more productive than one that is thus restricted?)

Conway shows very well that Marx's specific mechanisms designed to explain the collapse of capitalism fail of their purpose. Marx's account here relies on the theory that the rate of profit tends under capitalism to fall: his argument for this is a tissue of error (pp. 113-39). As Conway notes, on the best account of the business cycle, that of Ludwig von Mises, depression is not intrinsic to capitalism. It results from the collapse of overinvestment due to government-induced expansion of bank credit. Depression is a problem not of the free market, but of governmental interference with it (pp. 140-41).

I have so far been in entire accord with the main lines of Conway's presentation. But I fear I must part company with him in his fifth chapter, "Politics." Here he argues that Marx favored democracy: unlike Lenin and his successors, Marx did not favor the suppression of workers and their subjection to the minority dictatorship of a "vanguard" party. Conway fully and fairly presents the evidence against his view (pp. 148ff); he nevertheless holds that even such phrases as the "dictatorship of the proletariat" are not what they seem. He interprets Marx's advocacy of dictatorship in a way that leaves him still a democrat.

It seems to me that Conway has here fallen into a trap. No doubt Marx did support certain freedoms for "workers." But the proletariat hardly subsumes everyone within society: and there is no evidence that Marx thought of extending "democratic" freedoms to non-proletarian opponents of socialism.

Further, even if one confines the discussion to workers, one needs to distinguish, in a way that Conway fails to do, between democracy and civil liberties. The fact that Marx wished workers to take an active role in government hardly shows that he wished to extend civil liberties to workers who opposed socialism. Would he not more likely have regarded them as "class traitors" to be dealt with ruthlessly?

Conway's last full chapter, "Theory or Ideology," is strikingly original. He denies that Marx has made a case for his claim that morality reflects class interests. What exactly is the argument that moral judgments are not objectively true? Marx offers none—he simply dismisses morality with a wave of the hand.

Conway's case so far, while perfectly in order, follows standard lines. His originality emerges in his treatment of the related Marxist claim that religion is ideological. Here he counters by presenting with apparent approval Schopenhauer's assertion that some religions—Christianity, Brahmanism, and Buddhism—allegorically present the truth of the human condition. The truth in question is that of the futility of life and the need for a release from the domination of the will. Many will find this more than a little *outré*. A less radical response to Marx might content itself with noting that specific religious claims need to be discussed rather than dismissed *en bloc*. But like all of Conway's book, his view is clearly presented and provocative.

I do not think anyone can finish Conway's excellent book without learning a great deal about both Marxism and effective philosophical argument.

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The International Political Economy of Coffee: From Juan Valdez to Yank's Diner. By Richard L. Lucier. New York: Praeger Publishers, 1988.

Coffee is of global importance, ranking second to petroleum in world commodity trade. Moreover, coffee is of particular importance as a major export commodity in many low-income countries in Latin America, Africa, and Asia. The primary purpose of *The International Political Economy of Coffee* is to integrate political science and economics in analyzing the five-fold increase in world coffee prices over an 18-month period in the mid-1970s. The effects of this price increase, resulting from a frost in Brazil in 1975, are traced from Yank's Diner in Scranton, Pennsylvania through the world coffee market (and the international coffee agreements) to several countries in which coffee is the major export and a prime determinant of the level of economic activity.[1] The effects of higher coffee prices on individual consumers in the United States and on coffee producers in Brazil, Columbia, and the Ivory Coast are analyzed. The individual coffee producer in Columbia is personified by "Juan Valdez," the Columbian coffee industry's fictional TV advertising spokesman. A stated concern of the book is to show how Juan Valdez and Yank's Diner are mutually dependent upon each other.

The book is divided into seven chapters. Chapter 1 describes the consumer outcry against higher coffee prices in the United States following the Brazilian frost, the resulting U.S. Congressional hearings, and General Accounting Office study of the world coffee system. The impact of this economic shock in the United States coffee market is the starting point of the inquiry into economic interdependence between countries producing coffee and countries consuming coffee. Chapter 3 describes the world coffee market, emphasizing the role of Brazil as a "dominant oligopolist" in coffee production. Coffee production and trade is considered in a broader political-economic context of economic growth and development of "Third World" countries.[2] Chapter 4 describes the history of the international coffee agreements. The issues raised in these agreements between countries producing and consuming coffee were the subject of negotiations in the call by less-developed countries for a New International Economic

[1] The information in the book about Yank's Diner was taken from an article in the *Wall Street Journal*.

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Order (NIEO) during the 1970s. Chapters 5 and 6 focus on the role of coffee in economic development in Columbia and the Ivory Coast. The political economy of coffee in the 1980s is considered in the final chapter of the book, including a brief analysis of the effects of a Brazilian drought in late 1985.

This book presents a wealth of data about the international coffee industry. Trends in production and use of coffee, supply and demand, prices, exports and imports by various countries, the growth in production and consumption of soluble relative to roast coffee, market shares of leading firms in the coffee industry, and other aspects of coffee trade are clearly described and well documented. Thus, this book is a good data source about the world coffee market. Moreover, it clearly traces through the effects of the 1975 Brazilian frost on coffee consumers and producers. So long as the book is used as a source of data about the world coffee market, there is little room for criticism.

However, the book is not merely about the coffee industry. The broader objective is to analyze the relationship between coffee production and economic development in less developed countries. In doing so, the author focuses on "the highly charged issues of dependency, national sovereignty, and the forces that shape developing countries' political economies" (p. 19).

Lucier's aim is to integrate political science and economics into a single work on economic development by focusing on power relationships. He concludes, and properly so, that it is central to political-economic analysis that both power and markets be understood. However, the author fails to properly distinguish between power and market relationships.[3] Market transactions are based on consensus whereas the governmental decision-making process inevitably involves power and coercion. A finding of "market failure" based on an oligopolistic view of coffee production leads the author to favor cartelistic solutions enacted and enforced through international agreements in regulating the production and consumption of coffee throughout the world.

[2]The Third World concept was forged after World War II, largely under United Nations auspices. The unifying characteristic of the Third World is that its constituents receive aid from Western governments. In economic development literature, the Third World was previously known as the underdeveloped world, the less-developed world, and now is often referred to as the South. See Peter T. Bauer and Basil S. Yamey, "The Third World and the West: An Economic Perspective," chap. 6 in *The Third World: Premises of U.S. Policy*, W. Scott Thompson, ed. (San Francisco: Institute for Contemporary Studies, 1978), pp. 118-20.

[3]Murray N. Rothbard, *Man, Economy, and State* (Los Angeles: Nash Publishing, 1970).

International Coffee Agreements

Coffee was one of the first commodities in which control over world trade was attempted. Brazil, producing from 75 to 90 percent of the world's coffee in the early 1900s, led Columbia and other Latin American countries to a series of producer-country agreements to control exports and raise world prices from 1902 until the first International Coffee Agreement was signed in 1962. This agreement represented a major change in the world coffee market since major coffee importing countries (including the United States) also became signatories. The 1962 Agreement, ending in 1968, was followed by similar international coffee agreements in 1968, 1976, and 1983. The agreements, based on a system of country-by-country export quotas, restrict marketing and raise coffee prices.[4] As one might expect, however, the effectiveness of the cartels was eroded by competition as exporters shipped through third countries to cheat on the agreement.

Lucier is a firm proponent of international coffee agreements contending that free trade is a myth and that the real choice is between commodity agreements (including consumers as well as producers) and oligopolistic arrangements between producers only (pp. 163-65). Thus, the agreements, in his view, merely reflect the reality that governments are heavily involved in coffee markets in producing countries and coffee trade in highly developed countries is heavily concentrated in a few transnational firms. Further, Lucier argues that the agreements have been broadly beneficial because they both slowed the shift in production from low- to high cost producers and controlled production to balance world demand and supply. Lucier concludes that even coffee consuming countries benefit from these international agreements by having more leverage in marketing decisions. However, the latter conclusion is challenged by Law who found coffee prices under the agreements during the 1963-1972 period were *higher and less stable* than they had been in the preceding 10 years.[5]

The long term effects of commodity agreements are predictable from cartel theory. The post-World War II period has seen cartel-like international agreements in a number of other products including oil, wheat, and sugar. Despite the temporary success of the Organization of Petroleum Exporting Countries (OPEC) in restricting total sales, the effectiveness of cartels in raising prices is inevitably eroded over time.[6]

[4]A new coffee agreement is scheduled to begin October 1, 1989. In early 1989, the United States, objecting to inflexible quotas and sales to nations that are not members of the pact and at lower prices than members are required to pay, threatened not to join the agreement.

[5]Alton D. Law, *International Commodity Agreements* (Lexington, Mass.: D. C. Heath, 1975), p. 84.

[6]Peter H. Lindert, *International Economics*, 8th ed. (Homewood, Ill.: Irwin, 1986), p. 207.

There were some special factors contributing to OPEC's success in raising prices for a decade or so, but time has largely dissipated its power too. Thus, the typical results to be expected from restrictions on competition and higher prices arising from commodity agreements are: consumer resentment, a faster search for substitutes, cheating among signatories, an expansion of output outside the agreement, a constant struggle to keep total output or trade down and individual nations' shares up, and retardation of needed resource and production adjustments.[7] The economic arguments against the various international coffee agreements and other commodity agreements are similar to those of other government cartels. Commodity agreements are more likely to inhibit productive resource allocation since quotas and prices are determined by political influence and past production and trading patterns rather than comparative advantage and market forces.[8] Similarly, Bauer finds that commodity agreements tend to freeze the pattern of production, protect high-cost producers and restrict the growth of lower-cost supplies.[9]

Cartel theory suggests that arbitrarily raising product price will spur the development of substitutes. Thus, it is not surprising that Brazilian and Columbian coffee has faced increased competition as more and more countries began to produce and export coffee. Whereas only 14 percent of the world's coffee was grown outside of Central and South America in the late 1940s, non-American, chiefly African, coffee production has increased rapidly since that time and now constitutes about one-third of total world exports.[10] There is little doubt, given the huge number of countries exporting coffee, that coffee consumers would be protected better by the market process than by world-wide cartel arrangements agreed upon by producing and consuming countries.[11]

Economic Development and the New International Economic Order

The United Nations Conference on Trade and Development (UNCTAD) was convened in Geneva in 1964. The "Third World" countries

[7]Alton D. Law, *International Commodity Agreements*, pp. 77-78.

[8]Ibid., p. 111.

[9]Peter T. Bauer, *Dissent on Development*, rev. ed. (Cambridge, Mass.: Harvard University Press, 1976), p. 263.

[10]U.S. Department of Agriculture, *Agricultural Statistics 1987* (Washington, D.C.: U.S. Department of Agriculture Printing Office, 1988), p. 238.

[11]Nappi finds that past coffee agreements have defended a price floor above the long-term market price, frozen the industry structure through the allotment of export quotas, and not provided a mechanism to encourage reduction of high cost production capacity. See Carmine Nappi, *Commodity Market Controls* (Lexington, Mass.: D. C. Heath, 1979), p. 76.

succeeded in drawing attention to their view that the system of international trade and investments was established by the industrial high-income North at the expense of the low income South.[12] The oil shock of the mid-1970s galvanized the UNCTAD movement into a demand for a "New International Economic Order."[13] This NIEO was to apply the OPEC cartelization approach to coffee and other primary products. One of the planks in the NIEO platform was to manipulate markets of primary products—as in international commodity agreements—so as to stabilize and raise commodity prices.[14]

Lucier appears sympathetic to the NIEO view that the system of international trade and finance benefits richer countries at less-developed countries expense. Two components of the NIEO were (1) stable and higher product prices, and (2) increased access for "developing country" exports to "developed"-country markets (p. 103). Thus, the international coffee agreements foreshadowed the active stance exemplified in the NIEO and coincides with the first component of the NIEO agenda.

The above discussion suggests that the economic results of cartelization of coffee markets are similar to those for other commodities. International commodity agreements are generally sold as measures to stabilize markets. However, stabilization schemes for cocoa, coffee, tin, and other products face the formidable incentive and information problems of correctly guessing what the long-run price trend will be, mustering sufficient resources to keep the price near that trend, and following through with the appropriate actions. After reviewing the experience with such schemes, Lindert concludes that price stabilization is "plausible in principle but unworkable in practice."[15]

Market stabilization schemes are interesting intellectual exercises but of little practical significance. Even if government officials could obtain the information necessary to increase price stability, the incentives of the political process are such that they are unlikely to do so. In this respect, international commodity agreements are similar to domestic government programs to stabilize markets. Neither theory nor historical experience provide reason to think that the political process will succeed in stabilizing markets where private action fails

[12]Bauer points out that the term Third World reflects a condescending attitude because we normally do not talk about the First or Second World. It is countries in Asia, Africa and Latin America that are lumped together by this term—as if they "were all much of a muchness." There is a great deal of ambiguity in distinctions made between developed and less developed countries but the term less developed is much less misleading than underdeveloped, developing, or Third World used as an adjective (Peter T. Bauer, *Dissent on Development*, p. 25).

[13]Peter H. Lindert, *International Economics*, p. 275.

[14]Ibid., p. 276.

[15]Ibid., p. 281.

to do so.[16] For example, the International Coffee Agreement of 1976, advertised as a stabilization device, failed to prevent two years of high prices following the Brazilian frost in 1975.[17] And, aside from the stabilization aspects of commodity agreements, there is no more justification for artificially raising prices through production and marketing controls (to assist producers) than there is for any other government redistribution program.[18]

The second component of the NIEO agenda, increased access (by more highly developed countries) for exports from less developed countries, warrants emphasis and support. The effort by Brazil in the late 1960s and mid-1970s to increase exports of soluble coffee to the United States, for example, was opposed by the National Coffee Association (the trade association representing United States coffee processors) and ultimately by the U.S. Congress (p. 142). This action is symptomatic of the schizophrenic nature of governmental policies in the United States and other economically advanced countries toward low income countries. On the one hand, various governmental economic development initiatives are launched at taxpayer expense to assist less developed countries, such as the Alliance for Progress and the Caribbean Initiative by the United States. At the same time, however, economic development is impeded by restricting imports of sugar, coffee, and so on, from these countries. The most effective way rich countries can help poor countries is to reduce trade barriers against their exports.[19]

[16]After more than 400 pages of formal analysis investigating the conditions under which government stabilization policies might be effective, Newbery and Stiglitz conclude: "In short ... we believe that the gains to be had from a commodity price stabilization programme are likely to be small, and that most of the benefits in risk reduction may be had by improving the workings of the market, for example, by making futures markets more readily accessible (directly or indirectly) to small producers," (David M. G. Newbery and Joseph E. Stiglitz, *The Theory of Commodity Price Stabilization: A Study in the Economics of Risk* [New York: Oxford University Press, 1981], p. 445). The authors acknowledge that their formal analysis is oversimplified by assuming away the formidable "empirical" problems in obtaining the information required to design and implement a price stabilization program to cope with "market failure" that arises due to the lack of perfect information and appropriate insurance markets to deal with risk. However, they completely ignore the incentive problems that predictably result in "government failure" as well as the policy implications of that failure. Ibid., pp. 442-44.

[17]Bruce L. Gardner, *The Governing of Agriculture* (Lawrence, Kans.: The Regents Press of Kansas, 1981), p. 104.

[18]It is suggested by some people that the United States (and other industrial countries) should participate in international commodity agreements as a form of economic assistance to developing countries. However, no system of transferring income from the United States consumers of coffee and other products to foreign producers can be justified as increasing social utility. See David Osterfeld, "Social Utility and Government Transfers of Wealth: An Austrian Perspective," *The Review of Austrian Economics* 2 (1987): 79-99.

[19]Peter T. Bauer and Basil S. Yamey, "The Third World and the West," p. 115.

A thesis of Lucier's book is that "trade, focused on exports, is an undependable engine of growth and development" (p. 104). In this so-called classic dependence scenario, less developed countries are alleged to be dependent upon technically advanced countries as customers for their exports and as sources of the imports needed for economic growth and development. Furthermore, the development and wealth in the advanced countries and the lack of development and poverty in the poor countries are held to be a function of one another.[20] However, this dependency view has little relevance. When trade occurs, there is mutual dependence—interdependence—and all parties benefit from it. The fact that many less developed countries mainly export primary commodities in exchange for imports of manufacturing capital goods does not mean that such trade is harmful.

Development economists frequently assume that government planning is a central factor in economic development. In this view, there must be a "development policy" or "development strategy" with government activity regulating investment expenditure, imports and exports, and terms of trade. Lucier favors government planning in "developing countries" to direct investment and production and to protect "infant industries" from foreign competition as ways to promote economic and political development (pp. 97-98). However, there is a great deal of evidence that centralization and increased governmental power is "much more likely to obstruct economic progress than to advance it."[21]

Lucier draws a sharp distinction between economic growth and economic development. Economic growth is identified with increases in output and income while,

> economic development is a process of change: in the composition of output, in production processes, in the distribution of income, in the production and diffusion of knowledge, and in the sophistication and modernization of the entire social system and its institutions [p. 93].

In this view, economic growth occurs without economic development when the outcome is not consistent with the "development goals." In the Ivory Coast following independence in 1960, for example, a high rate of economic growth was achieved with the assistance of foreign investment from France and other developed countries—but (according to Lucier) little economic development. The major beneficiaries of the economic growth were foreign-owned firms, and the Ivorian population did not receive "its share of economic benefits" (p. 303).

The "terms-of-trade" are held to be of critical importance if "exports are concentrated on a few primary commodities" (p. 95). Bauer

[20]Anthony S. Smith, "The Case of Dependency Theory," chap. 11 in *The Third World: Premises of U. S. Policy*, p. 211.

[21]Bauer and Yamey, "The Third World and the West," p. 84.

in sharp contrast, finds that the discussion about terms of trade of less developed countries is misleading or incorrect and that "terms of trade are, in fact, unrelated to the prime causes of poverty in the underdeveloped world."[22]

Much of the analysis in economic development involves a "nirvana approach"—comparing the present situation with an unattainable outcome.[23] In assessing the effects of trade, investment, and other factors contributing to the development of economic activity in any country, the relevant comparison is between the present situation and the condition that would exist in the absence of the factor(s) responsible for the change in economic conditions. For example, the fact that incomes in a poor country would be higher if a smaller proportion of the rewards were going to "foreign factors of production" (p. 303) or if terms of trade were more favorable are not relevant in assessing the effects of foreign investment, international trade, and so on.

In brief, Lucier's book is much more informative about the operation of the international coffee market than it is as a policy guide for ways to promote economic development in less developed countries. The objective of public policy should be to develop an institutional framework that provides maximum scope for individual choice. Only in this way can resources be used most effectively throughout the world and the interests of producers and consumers best be served. The recommended cartelization of the world coffee market in the form of international coffee agreements is not consistent with this objective.

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[22]Ibid., p. 258.

[23]Harold Demsetz, "Information and Efficiency: Another Viewpoint," *Journal of Law and Economics* 12 (1969): 1-22.

Man, Economy, and Liberty: Essays in Honor of Murray N. Rothbard. Edited by Walter Block and Llewellyn H. Rockwell, Jr. Auburn, Alabama: The Ludwig von Mises Institute, 1988.

Man, Economy, and Liberty, which grew out of a conference celebrating Murray Rothbard's 60th birthday in 1986, is a collection of essays by 30 contributors—economists, philosophers, historians, political scientists, sociologists, and long-time friends and companions—honoring one of the world's foremost living champions of liberty.

Edited by Walter Block and Llewellyn H. Rockwell, Jr., *Man, Economy, and Liberty* amply and yet incompletely attests to Rothbard's productivity and his achievements. Author of 16 books and thousands of articles, scholarly and journalistic, ranging over the entire field of the humane studies, Rothbard ranks among the great social thinkers. A system-builder, he is the architect of a rigorously consistent social philosophy.

Economics and ethics are the cornerstones of the Rothbardian system, strictly separated, but firmly grounded in the nature of man, and complementing each other to form an integrated system of rationalist philosophy.

Economics, and here Rothbard follows Ludwig von Mises, sets out from the axiom that humans act, i.e., that they pursue their most highly valued goals with scarce means. Combined with a few empirical, and empirically testable assumptions (such as that labor implies disutility), all of economic theory can be logically deduced from this indisputable starting point, thus elevating its propositions to the status of apodictic, a priori true laws and establishing economics as a logic of action (praxeology). Modeled after Mises's *Human Action*, *Man, Economy, and State*, Rothbard's first *magnum opus*, completed while still in his mid-30s, develops the entire body of economic theory—from the law of marginal utility to the business cycle theory—along these lines, repairing in its course the few remaining inconsistencies in the Misesian system (such as his theory of monopoly prices and of governmental security production), and presenting, for the first time, a full case for a pure market economy as optimizing, always and necessarily so, social utility.

Ethics is the second pillar of the Rothbardian system. Contrary to the utilitarian Mises, who denies the possibility of a rational ethics,

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Rothbard recognizes the need for an ethic to complement a value-free economics so as to make the case for the free market truly water-tight. Drawing on the theory of natural rights, in particular the work of John Locke, and the genuine American tradition of anarchistic thought of Lysander Spooner and Benjamin Tucker, he provides also for its foundation with the principles of self-ownership and original appropriation of unowned resources through homesteading. Any other proposal, Rothbard shows, either does not qualify as a human ethic applicable to everyone qua human being; or is not viable in that following it would literally imply death while obviously requiring a surviving proponent, thus leading to performative contradictions. The former is the case with all proposals which imply granting *A* ownership over *B* and/or resources homesteaded by *B*, but not giving *B* the same right regarding *A*. The latter is the case with all proposals advocating universal (communal) co-ownership of everybody and everything by all (for then no one would be allowed to do anything with anything before he had everyone elses's consent to do whatever he wanted to do). In *The Ethics of Liberty*, his second *magnum opus*, Rothbard deduces the corpus of libertarian law—from the law of contracts to the theory of punishment—from these axiomatic principles, and along the way subjects the libertarianism of, among others, James Buchanan, Friedrich A. Hayek, and Robert Nozick, to criticisms.

Yet Rothbard's anti-statism is by no means confined merely to general theoretical considerations. Though first and foremost a theoretician, he is also a historian, and his work contains a wealth of empirical information rarely matched by any "empiricist." Moreover, it is precisely his recognition of economics and ethics as pure, aprioristic theory, and of such theoretical reasoning as logically anteceding and constraining every empirical investigation, which makes his historical scholarship superior to that of most standard historians (not to mention the pseudo-historical research of the "cliometricians"), and that has established him as one of today's outstanding "revisionist" historians. Whether economic or political history, from the American colonial history, the panic of 1819, the Jacksonian period, the Progressive Era, World War I, America's Great Depression, Hoover, FDR and the New Deal, from U.S. monetary history, the establishment of the Federal Reserve System, the destruction of the gold standard, the Bretton Woods agreement, to U.S. foreign policy—Rothbard, with a detective's eye for the minutest detail of history's by-ways, has time and again challenged common wisdom and historical orthodoxy and has provided his readers with a vision of the historical process as a permanent struggle between truth and falsehood, economic wisdom and blundering, and between the forces of liberty and of power elites exploiting and enriching themselves at the expense of others and covering their tracks through lies and deceptions.

There is no substitute for reading Rothbard himself, if for no other reason than his ability as a writer, and the rigor of his reasoning. Now however, for everyone concerned with Rothbard, Austrian economics, libertarianism, and rationalist philosophy in general, *Man, Economy, and Liberty* is required reading as well.

Sheldon Richman, in an especially noteworthy study, explores the young Rothbard who wrote several hundred private reviews of books on almost everything for the late Volker Fund between 1952 and 1962. No one who reads his account can come away without being "impressed at how steady [Rothbard] is in so many ways, a Rock of Gibraltar—intellectually, philosophically, even stylistically." Almost everything that would later appear as the Rothbardian system is already contained, in a programmatic form, in these reviews: his vigorous opposition against empiricism-positivism; his untiring attacks on historicism, and ethical skepticism and relativism; his rejection of conservatism and its preference for "classical" (Greek) as opposed to modern (Lockean) natural rights theories; his anti-state vigilance; his relentless defense, instead, of epistemological and ethical rationalism, of praxeology, and of natural rights theory (as a logical theory akin to praxeology), and of their implied extremism and absolutism (truth can be discovered); as well as his revisionist historical outlook and his approbation of the pre-Marxist, classical liberal class, or power elite analysis of Charles Comte and Charles Dunoyer.

Gary North, in a brilliant polemic, undertakes an explanation of "Why Rothbard Will Never Win the Nobel Prize," and why he, similarly to Mises, has been treated most shabbily by academia throughout his career. Not only has he been out of step with the spirit of times from the 50s to the mid-70s as an advocate of laissez faire; he remains so to this day, even with the tide of Keynesianism and interventionism subsiding, because of his absolutism and apriorism when academia still, unchangingly, professes a confused pluralism (how can a pluralism of values be said to be justified unless *it* can be shown to rest on a non-pluralist, absolute value?). More importantly, "Murray Rothbard has an addiction: clear, forthright writing. He says what he thinks, and he explains why he thinks it, in easily followed logic. He does not use equations, statistics, and the other paraphernalia of the economic priesthood. He simply takes the reader step by step through economic reasoning, selecting the relevant facts—relevant in terms of the economic logic he sets forth—and drawing conclusions." But doing this is a no-no among today's professional economists. "What impresses them is an economics book which cannot be understood even after three or four readings, and when its conclusions are at last grasped, they prove to be utterly inapplicable to the real world." Worse still, Rothbard's addiction to verbal logic, and his refusal to employ mathematics, is not merely accidental, but principled: utility is subjective and ordinal, and hence is unmeasurable; action takes place in discrete steps, and hence calculus, which requires the assumption of infinitely small steps, cannot be employed in economics; and action is choosing, preferring one thing to another, and hence indifference curve analysis is plain irrelevant.

While the lucidity of his writing has contributed to his neglect by the academic establishment, it has been instrumental for Rothbard's success in creating a social movement. Barred from all positions of academic power and prestige, and prevented to this day from turning out Ph.D. students, it has been the sheer power of his words that has attracted a steadily growing, world-wide following, from all social strata, of individuals dedicated to the perennial goal of independent thinking, relentless logic, and intellectual courage.

Numerous contributors offer restatements of Rothbardian themes and analyses, locating them in the context of past or present controversies, and applying Rothbardian insights to new problem areas, or replying to critics. Dominick Armentano restates Rothbard's pathbreaking monopoly theory: while it is meaningful to define a monopolist as a producer who, by virtue of a grant of privilege from government, is no longer subject to a regime of unrestricted free entry, and while its prices then can indeed be characterized as "too high" (as compared with free market prices, i.e., those that would prevail if there were no legal restrictions on entry), any attempt to distinguish between monopoly and competitive prices within the framework of a free market, such as in orthodox monopoly theory, is operationally meaningless. Either such attempts rely on the "model of perfect competition" (criticized also in E. C. Pasour's contribution), which applies only to the never-never land of equilibrium (and is false even there—among other reasons—because of its assumption of a perfectly horizontal demand curve, which contradicts the law of marginal utility as a proposition deductively derived from the incontestable axiom of action) and is thus entirely irrelevant in helping to decide whether or not any real world prices are monopolistic ones. Or they define monopoly prices as higher prices reached through restricting production so as to take advantage of an inelastic demand and attain a higher total revenue. For one thing, however, every seller always sets his price such that he expects any price higher than the chosen one to encounter an elastic demand and so to lead to a reduced total revenue—and hence, under this definition, it would be impossible not to be a monopolist. And secondly, any movement from a subcompetitive price to a competitive one also involves a restriction and there exists no criterion whatsoever to distinguish such a restriction from the alleged monopoly price situation. Hence, to say anything more than that prices are free-market prices (or not) is devoid of any grounding in reality and thus meaningless.

Walter Block offers a fresh look at the institution of fractional reserve (deposit) banking, the pillar of all of today's banking systems, and defends Rothbard's claim—once, in the good old days, considered obvious—that anything but 100 percent reserve banking is fraud, plain and simple; and that, if banks would not act fraudulently because they were to admit openly that their instantaneous liabilities exceed their assets on hand, then they would no longer be banks but lotteries, and their notes would not qualify as money but as lottery tickets.

Roger Garrison reexamines the pure time preference theory of interest as espoused by Frank Fetter, Ludwig von Mises, and Rothbard, and criticizes a number of rival theories (in particular those of Gustav Cassel and Irving Fisher). In acting, man not only invariably aims to substitute a more for a less satisfactory state of affairs and demonstrates a preference for more rather than less goods; invariably he must also consider when in the future his goals will be reached; hence, every action also demonstrates a universal preference of earlier over later goods. That is to say, every action requires time to attain its goal; and since man must consume sometimes, time is always scarce for him. Thus, *ceteris paribus*, present or earlier goods are, and must invariably be, valued more highly than future or later ones; and an exchange of a present good for a future one can only take place if the value of the future good is expected to exceed that of the present one—the value difference between present inputs and future outputs being interest. Contrary to all kinds of productivity theories of interest, then, it is the universal existence of a positive time preference, and of it alone, that accounts for, and explains, the phenomenon of interest.

Roger Arnold applies Rothbardian insights in order to analyze, and dispose of, attempts—particularly fashionable in public choice circles—to justify the existence of the state on prisoners' dilemma (PD) and/or transaction costs (TC) grounds. While it may well be admitted that prisoner's dilemma settings (situations of strategic game playing) and "high" transaction costs exist, it is a non-sequitur to conclude that this would prove anything regarding the necessity or desirability of state action. For one thing—a point not mentioned by Arnold—because in order to come up with the conclusion that something *should* be done about these alleged problems, one must smuggle a norm into one's chain of reasoning and hence would have to offer a theory of ethics—something, however, for which one looks in vain in the relevant literature. Nor is the economic case, to which Arnold explicitly restricts his analysis, any more conclusive.

In order to show that state action provides an economic solution to PD and TC problems, it must be demonstrated (and Arnold quotes James Buchanan to this effect) that it is capable of increasing everyone's utility level above what it otherwise would be. Yet this is impossible: first, it has to be noted that there surely exist market solutions to PD and TC problems. Reason and persuasion can be employed; the adoption of a tit-for-tat strategy can help overcome PD;

and the reduction of TC is just as much part of entrepreneurial activities as is the reduction of any other kind of costs. If, in spite of this, PD and TC problems still remain unresolved, why, then, not ask "So what?" Maybe they do not deserve to be solved, or solving them would occur at the expense of solving other more urgent problems. Furthermore, if no market solution is available, then, by definition, any solution must be a coercive one. Yet, Arnold writes, "if individuals are coerced it follows that they are doing something they wouldn't be doing [and] one can not get more utility from something he wouldn't be doing than doing something he would want to do. We conclude that the State decreases utility levels—if not for all persons, then at least for some. And as long as we can not measure whether the 'winners' gain more in terms of utility than the 'losers' lose, we cannot guarantee that there is even, at minimum, a net gain to having the State." (As regards the notion that all individuals may "voluntarily agree to be coerced," Arnold points out that such a thing has never been actually observed; worse still, one should add, the idea is patently absurd: for if the voluntarily accepted coercion is voluntary, then it would have to be possible to revoke one's subjection to the state, and it would be no more than a voluntarily joined club. If, however, one does not have this right—and such, of course, is the characteristic mark of a state as compared to a club—then it would be logically inadmissable to claim that one's acceptance of coercion is a voluntary one, and hence one's utility level would be reduced if it were continued.)

Finally, regarding transaction-cost justifications of the state in particular, Arnold trenchantly notes, "all costs, no matter what names we attach to them, are subjective; therefore they are unmeasurable. Given this, it does not make sense to say that transaction costs are high, or low, or somewhere in between. We conclude that the argument that purports to justify the State's existence, or State interventions, on the grounds that transaction costs are high makes as much sense as an argument that purports to justify the State on the grounds that Tuesday follows Monday."

David Osterfeld explains the Rothbardian concepts of freedom (and markets) and of power (and government): freedom is defined as a situation where each person has exclusive control (ownership, property) over his physical body, over all nature-given resources homesteaded with its help, over everything produced by such means, and over all resources contractually acquired from previous owners. On the other hand, the exercise of power is characterized by a person's invasion—or threat thereof—of the physical integrity of another's appropriated resources, and by non-contractual or fraudulent modes of restricting or eliminating another's control over his acquired property. He then compares these Rothbardian categories with rival definitions which have gained wide acceptance in the field of political science. Robert Dahl, Harold Lasswell, and Morton Kaplan, for instance, all very much alike, define power instead "as a special case of the exercise of influence involving severe losses for non-compliance," as "affecting policies of others with the help of (actual or threatened) severe deprivations for non-conformity with the policies intended." (One might add that a similar definition had also been proposed by M. Weber and has since become highly influential in sociology.) Osterfeld has little difficulty showing the inadequacy of this definition, and the advantage of employing the Rothbardian distinction: given the fact that feelings are subjective and unmeasurable, there is simply no way whatsoever to objectively determine whether or not the losses or deprivations are "severe," and hence whether or not power is present or absent. The definition is strictly speaking non-operational. In contrast, Rothbard's definition clearly is operational. (Osterfeld does not go so far as to say that Rothbard's definitions, therefore, are the correct ones.)

Osterfeld, in his wide-ranging essay, also contributes valuable explanations regarding Rothbard's conception of power elites and power elite analysis. He relates it to similar approaches in political science, in particular those following in the footsteps of G. Mosca and R. Michels ("iron law of oligarchy"). He elaborates on the "logic" of the connection between government and banking and business establishments in forming a highly stable ruling class (or caste), explains the nature of party competition in all this, and finally indicates the success of the Rothbardian theory of power in explaining and predicting empirical events and phenomena.

Jeffrey Paul takes issue with the property theories of Robert Nozick and Hillel Steiner. Contrary to Rothbard, who argues in favor of the unrestricted validity of the first-use-first-own-rule (i.e., the homesteading principle) and, as implied by it, the equally unrestricted validity of a voluntary-title-transfer theory of property, Nozick and Steiner accept the latter part of this theory yet, for somewhat different reasons, take exception to the former. Paul, while explicitly not engaged in the more ambitious task of demonstrating the validity of the Rothbardian theory, undertakes to show it to at least be consistent, and to expose the theories of Nozick and Steiner as inconsistent and thus false: Nozick claims that once resources are owned by someone, this person also acquires ownership in everything produced in turn with their help, and that his property then can only be legitimately acquired by someone else via voluntary, contractual transfers. (It is this part of his theory that made Nozick appear as a libertarian.) Yet how do resources come to be owned in the first place? Nozick explicitly rejects the idea that "mixing one's labor" with unowned, virginal objects is sufficient for this to happen—the central idea of John Locke's property theory—and, similar to Locke and equally unfortunate, Nozick adds a "proviso." According to him, unowned objects become justly acquired if and only if a person's act of appropriation (a) improves the value of the object, and (b) does not worsen the position of others by depriving them of the liberty of using this object, or by adequately compensating them if such a worsening should occur. (He passes over in silence the all-decisive questions of how one would objectively ascertain whether or not someone's position had been worsened, and how much compensation would be adequate. Nor does he seem to be aware of the absurd implications of this theory: what, for instance if I were to declare that Nozick's ownership of his physical body worsened my position, and that he, in order to compensate me for this, would be required to shut up for ever or drop dead? Surely, on his theory, there can be nothing wrong with such a request.)

Paul has no trouble showing the inconsistency of this theory. What is Nozick's reason for adding the proviso (i.e., condition b) on the level of original appropriation? Mixing one's labor with a virginal resource, Nozick argues, does not imply that the resultant object is the exclusive result of one's labor; thus it also cannot entitle one to exclusive control over the resultant object but, he claims, only to the value added to it; and hence the welfarist proviso. But if this is correct, Paul notes, then there is no reason whatsoever why the proviso should ever be dropped, and the title-transfer theory of property should come into play at subsequent stages of production, as Nozick claims. For obviously, regardless of how far the process of manufacturing objects is removed from the original act of appropriating nature-given resources, invariably there remains a virginal component in each and every object, and hence the welfare proviso would have to apply throughout. (One should note again the self-refuting character of this line of reasoning.)

Moreover, as Paul points out, Nozick, in shifting his argument from the level of physical phenomena to that of values, may not have provided a reason for the introduction of the welfare proviso at all. For while it is true that no physical object can ever be regarded as the exclusive result of one's labor, the entire value or utility of an object surely can. For without being at least discovered by someone, objects are obviously without any value whatsoever to anyone. Discovering something, however, writes Paul, "is the product of human efforts, not of natural circumstance"; and hence the discoverer can be said to have created the entire value of a discovered resource and thus would be entitled to its full ownership even on Nozick's own added-value theory.

Steiner's theory is similar to Nozick's and breaks down for essentially the same reasons. Instead of the Lockean proviso, Steiner, at the level of original appropriation, advocates a principle of equal distribution of virginal resources, his reason for rejecting the homesteading principle being, like Nozick's, that virginal resources are produced by no one, and hence cannot be owned by anyone in particular.

Accepting this reasoning, however, leads to an all-out egalitarianism (i.e., it would be impossible to restrict it to the level of original appropriations, as Steiner would have it). Moreover, on this theory as on Nozick's, it would be impossible to justify each person's ownership of his own physical body (which Steiner takes for granted). His egalitarianism would also have to apply to bodies. But, as I have already shown regarding Nozick's case, such a position leads to performative contradictions and is thus self-defeating.

While the majority of the contributors to *Man, Economy, and Liberty* would probably describe themselves as Rothbardians of some sort, not all would accept this label. In fact, though invariably sympathetic to Rothbard, several contributors advance ideas incompatible with, or critical of, his work. Israel M. Kirzner's essay on welfare economics is a case in point. Kirzner sets out with a restatement of some basic tenets, uncontroversial at least among Austrian economists, such as (a) methodological individualism: only individuals act and have values; talk about society is meaningless unless it can be unambiguously translated into statements concerning individuals; (b) subjectivism: utility, welfare, etc., refer to unmeasurable states of affairs, demonstrated through actual choices and capable only of ordinal ranking; and (c) an emphasis on process: decisive for judging welfare implications is not so much the outcome of actions but rather the process, or the rules generating the outcome. He then correctly criticizes traditional welfare economics by pointing out that "to attempt to aggregate utility is not merely to violate the tenets of methodological individualism and subjectivism (by treating the sensations of different individuals as being able to be added up); it is to engage in an entirely meaningless exercise."

Much less convincing is his following critique of the idea of Pareto-optimality. Kirzner claims that this notion "reflects a supra-individual conception of society and its well-being," and he regards this as its main defect. Because he merely reiterates this claim and does not explain it, I fail to grasp it and would still contend that the idea of Pareto-optimality is fully compatible with methodological individualism because of its unanimity requirement. The problem with Pareto-optimality as a welfare criterion, as Rothbard has repeatedly explained, is a completely different one. According to its orthodox version, it does not provide any criterion for selecting the starting point from which we are to begin making Pareto-optimal changes and thus boils down to an unprincipled advocacy of the status quo. Based on this criterion, slavery, minimum wage laws, or rent controls, once in place, could never be justifiably abolished, because surely there will always be someone whose situation is thereby worsened. If, however, the Pareto criterion is firmly wedded to the notion of demonstrated preference, it in fact can be employed to yield such a starting point and serve, then, as a perfectly unobjectionable welfare criterion: a person's original appropriation of unowned resources, as demonstrated by this very action, increases his utility (at least ex ante). At the same time, it makes no one worse off, because in appropriating them he takes nothing away from others. For obviously, others could have homesteaded these resources, too, if only they had perceived them as scarce. But they did not actually do so, which demonstrates that they attached no value to them whatsoever, and hence they cannot be said to have lost any utility on account of this act. Proceeding from this Pareto-optimal basis, then, any further act of production, utilizing homesteaded resources, is equally Pareto-optimal on demonstrated preference grounds, provided only that it does not uninvitedly impair the physical integrity of the resources homesteaded, or produced with homesteaded means by others. And finally, every voluntary exchange starting from this basis must also be regarded as a Pareto-optimal change, because it can only take place if both parties expect to benefit from it. Thus, contrary to Kirzner, Pareto-optimality is not only compatible with methodological individualism; together with the notion of demonstrated preference, it also provides the key to (Austrian) welfare economics and its proof that the free market, operating according to the rules just described, always, and invariably so, increases social utility, while each deviation from it decreases it.

Despite his initial emphasis on the importance of the consideration of processes for welfare economics, there is no systematic mention by Kirzner of any rules: of how to acquire resources, or change, or exchange them, of markets, or market interventions. Instead, what follows his critique of Pareto-optimality, is the suggestion of another welfare criterion—inspired by Hayek and open to more severe criticisms than Pareto's—and a murky, non-operational distinction.

Kirzner's new, as he claims genuinely Austrian, criterion is that of "coordination—permitting each agent to achieve his goals through the simultaneous satisfaction of the goals of the other agent." Regarding this proposal one might first note that while each individual can judge on his own whether or not some act of his or of others makes him better or worse off, or leaves his welfare unaffected, judging whether or not one's act simultaneously satisfies the goals of others would require knowing what their goals are, and it is this criterion, then, which actually suffers from a "supra-individual conception" incompatible with methodological individualism. Second, the coordination criterion is unduly restrictive in eliminating an entire class of actions which have clear-cut welfare implications from consideration altogether. If I plant a flower in my garden, my welfare is increased, no one is thereby made worse off, and hence one might say that social welfare has increased. Yet obviously, there is no question of coordination here, and it thus would seem plainly false to say that coordination is a universal desideratum of action. Third, the coordination criterion suffers from precisely the same problem as the Pareto-criterion in its orthodox version, i.e., it boils down to an unprincipled defense of the status quo. Kirzner, too, would have to address the all-decisive question of how to assign property rights initially so as to have a justified starting point from which to begin to achieve better coordination. For surely, he would not want to argue that social welfare in any meaningful sense is increased if my actions and those of an IRS agent are coordinated as compared to a situation where I would try to obstruct his plans.

One may now admit that the last problem possibly can be overcome, and that the coordination criterion can be employed to reconstruct welfare economics along lines similar to those sketched above by utilizing the idea of Pareto-optimality, so as to reach the conclusion that the free market is not only always Pareto-optimal but always optimally coordinated as well—taking into account, of course, the facts of uncertainty and imperfect knowledge, the dispersal of knowledge among different individuals, the costs associated with the acquisition and communication of knowledge and of learning, etc. But the idea "that in a world of dispersed knowledge ... sub-optimality or states of discoordinatedness cannot be postulated to exist (if one properly includes the costs of information-acquisition)" Kirzner curiously holds to be false. Why? Because, he writes, the "dispersal of knowledge necessarily involves not merely new costs (of learning and communication) but also the very real possibility of what we may call 'genuine error'. ... Genuine error occurs where a decision maker's ignorance is not attributable to the costs of search, or of learning or of communication—i.e., it is the result of his ignorance of available, cost-worthy, avenues to needed information. ... At the level of the individual decision-maker we may describe his activity as having been sub-optimal when he subsequently discovers himself to have inexplicably overlooked available opportunities that were in fact worthwhile. He cannot 'condone' his faulty decision-making on the grounds of the cost of acquiring information, since the information was in fact costlessly available to him. He can account for his failure only by acknowledging his utter ignorance of the true circumstances (i.e., of his ignorance of the availability of relevant information at worthwhile low cost)."

I must confess that I consider this notion of utter ignorance meaningless. First, it is incompatible with the idea that costs are subjective and incurred at the point of decision making, which Kirzner elsewhere has done so much to explain, and rather represents a relapse into the presubjectivist era of economics. For how can he claim that knowledge was in fact "costlessly available," or available at a "worthwhile low cost" even though it was demonstrably not available to the actor—unless he were to claim that he had an objective measure of cost at hand. The fact that in retrospect, after discovering an error, one might say "wow, I could have known this for nothing," does not prove anything about the costs incurred at the point of decision making. Second, the concept is non-operational. No one can distinguish between errors stemming from utter ignorance and those "normal" ones resulting from the costs of learning, information acquisition, and general uncertainty. Obviously, no one can know ex ante what kind of error it is that he is going to make—otherwise he would not make it. And ex post considerations of what it would have cost to have avoided certain mistakes if only one had known better earlier are just that: retrospective speculations which may or may not have any impact on current or future decision making. Third, the concept of entrepreneurship does not require the assumption of utter ignorance, as Kirzner implies, but rather only the clear-cut and indisputable fact of uncertainty. Uncertainty explains entrepreneurship and pure profits. Utter ignorance, even if it existed, is neither a necessary nor a sufficient condition for it. Finally, "So what if utter ignorance exists?" What has this to do with welfare economics? Economics in general and welfare economics in particular deal with action and interaction, with scarce means and goals, and with choices. Economic theory requires no specific assumption about possible types of knowledge and error. It merely requires that there be knowledge and error, i.e., that actors pursue goals employing knowledge—act intentionally—can tell the difference between success and failure, and can recognize intellectual errors of any sort as accountable for specific outcomes. Any discovery of new or different types of errors is thus plainly irrelevant for economics and economic theory.

Kirzner promises a "modern Austrian perspective on welfare economics." I am inclined to think that it is not an Austrian perspective at all. It appears to violate the principle of methodological individualism; it contradicts the principle of subjectivism; and no consideration is given to rules and processes of acting, and of employing scarce physical resources in the pursuit of scarce goals, and all attention is shifted to economically irrelevant problems in the psychology of knowledge.

Leland B. Yeager's stimulating paper also deals with welfare economics. His approach is different from Kirzner's. Despite his hope, however, that it may be "compatible with or complementary to what [Rothbard] has written," it suffers from equally grave deficiencies and is just as incompatible with the Rothbardian "Reconstruction of Utility and Welfare Economics." Following John Harsanyi, Yeager suggests "maximum expected average utility" as a welfare criterion. The idea is roughly as follows: assume the position of an "impartial spectator" who considers and must choose between "alternative types of society, in each of which he would be a person selected at random, enjoying or suffering his fate in accordance with that person's utility function and position in life." Harsanyi and Yeager both argue that under these circumstances one would rationally choose the social order which maximizes average utility. For the sake of argument I am willing to accept this as plausible enough; and I am also prepared to go along with their, in particular Harsanyi's, critique of rival, more egalitarian welfare criteria as proposed by John Rawls or Amartya Sen. The average utility criterion does "already take account of risk aversion in cases of dispersed possible outcomes expressed in utility terms." All egalitarian sentiments, as they may exist, are already reflected in the impartial spectator's social welfare function. To propose a more egalitarian criterion would amount to double counting. Hence, according to Harsanyi's von Neumann-Morgenstern conception of utility, in any case the impartial spectator would rationally prefer to maximize expected average utility rather than choosing any other criterion. So far so good. But then, "So what?"

What is this but mental gymnastics, non-operational, and without any praxeological foundation—in this respect not at all different from the conceptions of the majority of contemporary political economists and theorists, whether they are utilitarians (like Yeager), or contractarians (like Rawls), right (like Hayek), or left (like Sen)? Asked what the basic rules regarding the appropriation, allocation, transformation and transfer of scarce resources are, that would be recommended on the grounds of the Rawlsian difference principle, or Yeagers maximum average utility criterion, or whatever, there is simply no definite answer forthcoming. This should be sufficient evidencing that something is wrong with the theory at hand. In academia, however, the opposite has occurred. If a theory yields no specific conclusions at all concerning the foremost practical question to be answered (i.e., how I am to employ scarce physical resources so as to act correctly, optimally, or justly); and/or if it allows us to reach any conclusion whatsoever, including incompatible ones (Hayek, it might be recalled, in *Law, Legislation, and Liberty*, characterizes his welfare criterion as essentially—John Rawls's), the more serious is the attention that it receives. Rawls, indeed, with a theory that is the most painful example of this species of operational meaninglessness, has come to be accorded the rank of the preeminent practical philosopher of our age.

The systematic explanation for this disturbing phenomenon is a fatal error on the level of theory construction committed by Yeager as well as by Rawls. Any welfare criterion must be praxeologically, constructively realizable, i.e., it must be possible for us, who invariably must act and employ resources, to actually implement such a criterion and to consistently act upon it, otherwise it would be no welfare criterion at all but a praxeologically irrelevant chimera. Yeager's criterion, like Rawls's or Hayek's, is such a chimera, because it cannot be constructively realized.

In Rawls this constructive unrealizability is particularly acute: Rawls supposedly gets his criteria from know-nothing epistemological zombies sitting behind a "veil of ignorance," engaged in unconstrained considerations of alternative social orders for actual, non-zombie persons. For one thing, "Who cares?" What has this to do with our, human problems? But secondly, even if we wanted to know, we could not even try finding out, because we are not zombies behind a veil, but individuals who must continuously act in order to make a living. Rawls's contribution is thus irrelevant, non-operational, and self-contradictory on top.

The impartial spectator model adopted by Harsanyi and Yeager is somewhat more realistic. Individual actors can indeed assume the role of a "neutral" spectator and evaluate alternative societies; and they may well use maximum average utility as their decision criterion. Yet what if Yeager, Harsanyi, Rawls, and I, as hard as we try to be as impartial as we can be, do not choose the same but incompatible societies as maximizing average utility, as is likely to happen? It is here that the theory breaks down again as inoperable and praxeologically impossible. For it would be impossible to realize incompatible societies simultaneously; only one can be realized at a time. But which one? The criterion of maximum average utility has already done its work—but still there is disagreement as to which arrangement maximizes average utility. Aggregating is inadmissible, as Yeager agrees, and would lead to arbitrary results. But then there is nothing left to go on. Faced with incompatible alternatives one is actually told not to do anything, because one's criterion does not yield a conclusion.

Obviously, however, such advice is impossible to follow. We cannot stop acting; we always must either do one thing or another, and through our actions we contribute to the construction of one society or another. The utilitarian maximum average utility criterion does not give us a clue as to what to do in this situation; it is impossible for us to actively apply it; and whatever its relevance otherwise might be, from the point of view of economic theory it is pure moonshine, without any importance for our human quest to know how we are to act with scarce resources here and now so as to act correctly in terms of either social utility or justice.

The Rothbardian welfare theory, in terms of a theory of property rights, provides a definite answer—in the form of praxeologically meaningful criteria—to this inescapable problem. If impartial spectators cannot come to an agreement, or constitutional contractors cannot reach a contract, obviously this cannot mean that they would then have to suspend acting, nor can it imply that any further action is as correct as any other one. The fact merely shows that it is irrelevant to welfare economics what impartial spectators think or believe. It is not what one says about social welfare that counts, but what one demonstrates about utility through one's actions: in playing the intellectual game of considering alternative social models for their capability of maximizing average utility, or of designing constitutions, one is still acting and employing scarce physical resources, and hence, prior to even beginning these intellectual plays, as their very own praxeological foundation, there must be an acting man, defined in terms of physical resources. Utility considerations à la Yeager, or agreements, or contracts already presuppose the existence of physically independent decision making units and a description of their existence in terms of a person's property relations regarding definite physical resources—otherwise there is no one to agree on anything, and nothing on which to agree about which to contract. More specifically, by engaging in discussions about welfare criteria that may or may not end up in agreement, and instead result in a mere agreement on the fact of continuing disagreements—as in any intellectual enterprise—an actor invariably demonstrates a specific preference for the first-use-first-own rule of property acquisition as his ultimate welfare criterion: without it no one could independently act and say anything at any time, and no one else could act independently at the same time and agree or disagree independently with whatever had been initially said or proposed. It is the recognition of the homesteading principle which makes intellectual pursuits, i.e., the independent evaluation of propositions and truth claims, possible. And by virtue of engaging in such pursuits, i.e., by virtue of being an "intellectual" one demonstrates the validity of the homesteading principle as the ultimate rational welfare criterion.

There are other notable contributions in this volume of generally high-quality essays, such as David Gordon's perceptive observations on the claims of the theory of natural, or human rights; Antony Flew's critique—as the collectivist counterpart to the tradition of Locke and Rothbard—of Rousseau and his political philosophy; and Ralph Raico's article on the radical Free-Trade-Movement in nineteenth century Germany and John Prince Smith, its leader from the 1840s until his death in 1874—a tradition almost completely unknown to contemporary Germany.

Finally, the collection also offers a glimpse of Murray Rothbard as a movie critic (by Justus Doenecke), as a critic of music and culture (by Neil McCaffrey), and his principles of aesthetic judgment. The volume appropriately concludes with personal notes by Margit von Mises and Joey Rothbard.

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