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, un owned objects become justly acquired if and only if a person's act o appropriation (a) improves the value of the object, and (b) does no worsen the position of others by depriving them of the liberty of usin this object, or by adequately compensating them if such a worsenin should occur. (He passes over in silence the all-decisive questions of hov one would objectively ascertain whether or not someone's position hac been worsened, and how much compensation would be adequate. No 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 physica body worsened my position, and that he, in order to compensate me fo this, would be required to shut up for ever or drop dead? Surely, on hi theory, there can be nothing wrong with such a request.)

Paul has no trouble showing the inconsistency of this theory. Wha is Nozick's reason for adding the proviso (i.e., condition b) on the leve of original appropriation? Mixing one's labor with a virginal resource Nozick argues, does not imply that the resultant object is the exclusiv result of one's labor; thus it also cannot entitle one to exclusive contro 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, the there is no reason whatsoever why the proviso should ever be dropped and the title-transfer theory of property should come into play a subsequent stages of production, as Nozick claims. For obviously, re gardless of how far the process of manufacturing objects is removed fron the original act of appropriating nature-given resources, invariabl there remains a virginal component in each and every object, and henc the welfare proviso would have to apply throughout. (One should not again the self-refuting character of this line of reasoning.)

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

Steiner's theory is similar to Nozick's and breaks down for essen tially the same reasons. Instead of the Lockean proviso, Steiner, a the level of original appropriation, advocates a principle of equa distribution of virginal resources, his reason for rejecting the home steading principle being, like Nozick's, that virginal resources ar 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 supraindividual 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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