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FREEDOM AND VIRTUE

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MODERN POLITICAL THINKERS have consistently agreed that the goal of social action is freedom. Spinoza, for example, states that "the purpose (*finis*) of the state is really freedom."[1] Rousseau's opening comments of the *Social Contract* indicate that he is concerned with the liberation of mankind. J. S. Mill, in the introductory chapter of *On Liberty*, argues that the conflict between liberty and authority is the central political issue. Ancient political philosophy, on the other hand, is characterized by a rather different attitude toward the purpose of the state. Aristotle, in fact, criticizes the democrat who places liberty and equality above all social values.[2] For the ancients, virtue constituted the end to be sought. It is "for the sake of good actions . . . that political associations must be considered to exist.[3] The fundamental political choice, therefore, seems to be between a regime that promotes freedom and one that promotes virtue. Are these mutually exclusive alternatives?

I

If a free society is defined as one in which each person may live his life as he chooses so long as he does not infringe on the rights of others by the initiation of physical force, then the classical attitude on what a political regime should seek to secure would seem to be the most defensible in all cases. Given a society whose institutions conformed to the above principle, there would be no question of the promotion of freedom. A free society could not promote freedom, because that society would already *be* free. That is to say, that freedom would not be something a society or its members could aspire to. Freedom would instead characterize their condition or state of existence. The promotion of freedom only makes sense in societies that are unfree. Virtue, on the other hand, is something that can always serve as an object of one's aspirations. A man may be born free, but he is never born virtuous. For this reason, all societies are in a position to consider the promotion of virtue. Free societies can seek to maintain their freedom, but freedom will not serve as a further goal for the members of that society. The answer given by the ancients to the question of what constitutes the central social goal is, therefore, a most profound one; for, unlike the goal of freedom, virtue is an ever-present concern even in an ideally free society.

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It might be objected that people always desire to purge themselves of such social burdens as poverty, disease, and ignorance. We desire to be free of these burdens; and since actions must be taken to achieve this type of freedom, freedom can be promoted in a free society. This objection, however, is not without difficulties. In the first place, it is true that the relief of poverty, disease, and ignorance can serve as goals in any society. Yet freedom conceived in terms of the relief of burdens cannot be a primary sense of freedom. The mere aspiration to relieve certain burdens implies nothing about the context in which those burdens are to be relieved. Indeed, one is compelled to search for a more fundamental conception of freedom that will set the context for legitimizing any secondary senses of freedom. In order to claim that a given society is free, in other words, one must be able to claim that the institutional arrangements of that society (in which particular goals are to be sought) are themselves free. The definition of freedom implicit in the above characterization of a free society qualifies as a candidate for a first-order, or primary, conception of freedom. That definition does not suffer from a need for a setting in which the conditions demanded by the definition can be met. The definition itself determines such a setting. In short, the relief-of-burdens view of freedom must be derivative from or dependent upon a more fundamental conception of freedom, since the aspiration to relieve burdens begs one to search for the proper context for that relief. The relief of burdens cannot, therefore, be a primary principle or goal of social organization.

The second major defect of the relief-of-burdens view of freedom is related to the first. To relieve burdens requires action, but mere desire to obtain such relief does not specify the nature of the actions to be taken. We could, for example, solve the problems of poverty, disease, and ignorance simply by doing away with whoever is poor, sick, or stupid. Some knowledge is, therefore, required in order to distinguish between right and wrong actions. Yet once we become concerned with the distinction between right and wrong we are no longer considering freedom but rather, in some sense, at least, virtue. Right action or virtue can be promoted, but the *actual* relief of burdens cannot. To be without burdens is to be in a certain existential condition. Actions conducive to securing that condition can be promoted in order to obtain the desired result, but the result itself cannot properly be considered without giving attention to the means necessary for the achievement of that result. Thus, a society cannot literally promote freedom from any burden and cannot properly promote a certain set of means for the relief of burdens without first having a clearly defined set of ethical principles that justify the means under consideration. In some sense, therefore, the relief of burdens presupposes the promotion of virtue—that is, right action.

A second objection to the conclusion that freedom cannot be the central social goal might be that a society could promote freedom by insuring the freedom to *do* certain things, such as obtaining a better job, receiving an

education, or having the liesure to travel. The freedom to engage in certain activities, however, is also a second-order view of freedom and suffers the same defects as noted above. The freedom to do X(s) calls for a determination of the context in which X will be done. That is to say, the freedom to an X raises the question whether X is good for human beings, and also the question of the appropriate setting for pursuing X. Once these questions are raised, one is compelled to search for both a more fundamental conception of freedom and some standards for determining which things are worthy of our aspirations. The latter concern again raises the issue of virtue; for the virtuous person is able to distinguish the good things from the bad.[4]

The foregoing arguments indicate that reflection moves us to transcend the concern with secondary senses of freedom. We must justify that primary context in which our actions will take place and determine those moral principles that establish the permissible within that context. Concern for the relief of certain burdens and the attainment of certain goods must give way to a concern for gaining the wisdom necessary to understand what must be secured to relieve *any* burden or gain *any* good. Wisdom, in this sense, means not only practical knowledge of the means to certain ends but, most importantly, knowledge of those principles that should guide and set the context for all of our actions. Right action is itself dependent upon wisdom; for it would make no sense to claim that one ought to do A and, at the same time, have no conception of why alternatives to A are either wrong or less than satisfactory. Knowledge of moral principles is thus more fundamental than concrete moral acts. In the end, one comes to recognize the myopic nature of doctrines formulated exclusively in terms of secondary freedoms.

The promotion of virtue is of fundamental importance because persons stand in need of standards to guide their actions. A society without a sense of its own fundamental moral principles is one in which the members of that society are not able to perceive clearly the worthiness of their actions. Moreover, as indicated above, a society whose sole focus is upon the secondary freedoms is one out of touch (or soon to lose touch) with more fundamental concerns. The United States is today a country that has lost sight of its earlier concern with a primary conception of freedom.[5] Instead, the secondary freedoms now dominate the public consciousness. Since the "pursuit" of secondary freedom is argued for on moral grounds, the interesting question is whether a primary sense of freedom is compatible with the demands of moral virtue. The foregoing discussion has argued for the importance of moral virtue and has also shown the deficiencies inherent in an exclusive concern with secondary freedom. Thus, can a primary conception of freedom (such as that implicit in the mutual-noninterference definition of a free society) also set the context for the advancement of virtue in society? In the next section I argue that moral virtue cannot be achieved by the coercive measures so common in contemporary social life. I conclude that freedom in the primary sense not only depicts the proper setting for social

interaction but also specifies the conditions for a meaningful sense of moral virtue.

II

Virtue is a moral term—that is, a term understood within an ethical or moral context. The nature of the ethical theory one adopts is therefore likely to determine one's view of virtue. Without developing a full ethical theory here or even outlining one, I can look into a specific moral question that is relevant to our present theme. The conclusions drawn below should be sufficient to indicate the necessary connection between freedom and virtue.

Given the assumption that freedom ought to be maintained and virtue promoted (that is, given the argument of the first section), the question whether there might be some conflict between freedom and virtue still remains. This question arises because freedom, as earlier defined (mutual noninterference), seems too weak a condition for securing virtue. The apparent weakness of mutual noninterference has led many to call upon certain coercive agencies to act in behalf of virtue or moral goodness. We shall, therefore, examine the moral significance of the methods used by that agency which puts checks on our freedom for the sake of the "morally proper"—namely, we shall examine the methods employed by government. Government is an institution sometimes utilized by those who seek to undertake moral actions. Certain individuals claim moral worth or credit for actions that employ the coercive power of government. The question under consideration is whether, in fact, one does deserve moral worth or credit when utilizing the coercive power of government to perform certain alleged "good deeds."

If it can be shown that the employment of coercive methods can never be morally worthy (and is indeed morally unworthy), then freedom and virtue will not be in conflict *politically*, since it will be for ethical reasons that this traditional role of government will be criticized. Our primary definition of freedom, in other words, will not only serve to define the context in which other secondary senses of freedom might operate, but that definition will also serve to define the ethical context in which virtuous actions must derive their meaning. Thus, mutual noninterference will be primary with respect to both freedom and virtue and will serve as the condition that must be presupposed before any meaningful sense can be given to freedom and virtue. Freedom and virtue, therefore, will be seen to be inextricably linked.[6]

Coercion can be defined as the use (or threat) of physical force. There are two types of coercion. The first is initiatory—the initiation of (or threat of) the use of physical force. Most present-day governments are greatly expanding their use of initiatory coercion. Initiatory coercion can be distinguished from the second type—retaliatory coercion, or the retaliatory use of physical force (self-defense is an example). I cannot undertake here a

discussion of retaliatory coercion, except to note the following: retaliatory coercion is not inconsistent with the definition of freedom given above. The rights people possess would have little practical significance if it were not possible to ensure the protection of those rights. Retaliatory coercion may therefore be necessary to counter the destructive effects of initiatory coercion. Moreover, retaliatory coercion may be the morally proper response to initiatory coercion.

The argument below will concern only initiatory coercion, which has traditionally been considered consistent with a virtuous and moral society. We shall first examine whether those who initiate coercion (or advocate that initiation) for the sake of some "good" thereby gain or deserve moral worth. Second, we shall examine whether coercion ought ever to be employed.

The notion of "responsibility" is the key concept for understanding morality and human rights. The entire enterprise of moral worthiness or unworthiness depends upon responsibility, or what might be called moral agency. Moral consideration cannot be given to a person's deeds unless that person was responsible for doing those deeds. There can be no good or bad deeds without actual doers of the deeds, and in order to qualify as a doer of a deed, in the morally relevant sense, one must be responsible for the deed done. As we shall see immediately, this seemingly obvious point has been almost completely ignored in contemporary society.

A word needs to be said here about the relation of moral agency, or responsibility, to moral predicates (terms such as *good, bad, noble, just,* applied to persons and their acts). We have already assumed that if a person is not responsible for taking an action, that person cannot be held morally responsible for the act. "Moral agency" is thus a notion whose full intelligibility necessarily depends upon the notion of responsibility. To be responsible or to act responsibly means to be an adult human being who undertakes an action by his own choice.[7] A person is not held responsible for an act if he was forced to do that act or if he is mentally defective or incompetent. By the same token, if a person does not do an act he is not responsible for the act (e.g., when we find out someone else did the act). It is quite obvious, I believe, that if a man did not do an act or was forced to do it, moral worthiness or unworthiness cannot be attributed to him.

Now, just as a man cannot be held responsible for an act he did not do or was forced to do, the act itself cannot be of any moral significance if there are no responsible agents performing the act. In a community of sleepwalkers or zombies, there would be no morally good or bad acts. The reason for this is quite simple. In order for an act to be called good or bad, that act must be of the sort that would allow one to say, "One ought to do this" or "One ought not to do that." It would make no sense to tell sleepwalkers or zombies that they ought or ought not do *X*, because they are not responsible agents—that is, they have no choice in what they do. The term *ought* would simply be misapplied in such communities.

To give another example: if all the agents involved in an action (call them group A) were performing the action under coercion, *ought* and *ought not* would not be applicable to them or *to anyone else not in group A*. It makes no sense to say of those being coerced (group A) that they ought or ought not do *X*, since they have no real choice in the matter.[8] Moreover, one cannot propose to anyone outside of group A that he ought to take action *X* in the same way and under the same conditions that the members of group A are taking that action. The reason for the foregoing proposition is that one cannot properly recommend, "You ought to do *X*" *and also* (in the "same breath") recommend, "The way you ought to do *X* is by being coerced to do *X*." The second recommendation negates the first. When one is coerced to do *X*, one does not have any choice in doing *X*; but when one asserts that "one ought to do *X*" one necessarily implies that the proposed action is open to choice. One *can* choose to be coerced into getting *X* done, but one cannot be considered to be *doing X* in the sense of being responsible for *X*.[9] This last line of reasoning points to the following: there is something strange (to say the least) about the proposition, "One ought to be coerced into doing good deed *X*." The strangeness, I believe, stems from the separation of choice from the applicability of an *ought* statement. Since moral recommendations presuppose choice, the actions of a coerced party lack moral significance.

The general conclusion to be drawn from the foregoing discussion is that in order for an action to be termed morally good or bad it must be possible to say one ought or ought not to do the action. In situations where there are no responsible agents, *ought* and *ought not* are not terms applicable to those agents; nor are the terms *ought* and *ought not* appropriate as guides to moral action in situations that do not permit moral agency. Consequently, those situations which contain *no* responsible agents and in which moral predicates are inapplicable, are situations in which no one can rightly claim moral worth.[10]

It is necessary to point out that actions with no responsible agents may have beneficial or deleterious consequences; thus the actions that produce those consequences might in everyday speech be called good or bad. For example, a sleepwalker might aid someone in his walking, and we might therefore conclude that a "good" action was done. The sleepwalker's "good" action is without any real moral force, however, since it is not possible to say of that action that one ought to perform it.[11]

One may wonder why we should ever be concerned with the moral issue. Why not simply seek to produce benefits and avoid harm. The justification for the necessity of a serious consideration of moral issues is a complicated one; for the areas in need of examination for such a justification range from metaphysics and epistemology to cultural anthropology. Nevertheless, I did indicate in section one that to focus only upon secondary freedoms (benefits) ignores certain substantive issues that demand attention. Moreover, this essay is directed toward those who are already convinced of the importance

of morality. Those not so convinced are generally disinclined to defend their advocacy of governmentally coerced "benefits" in terms of the advancement of moral righteousness. Moreover, it is in just such terms that such advocacy is usually advanced.

Let us now take the case of a prejudiced white homeowner who refuses to sell his house to a black man.[12] The selling of the house would seem to be good, for if the man could be convinced to sell, he should be praised for overcoming his prejudice. The selling of the house might, furthermore, lead to racial harmony, since those who live in the neighborhood could come to recognize that there is nothing inherently wrong with blacks. Let us also suppose however, that there is a law that prohibits such refusal of sale. In this case there would be four principal actors: the homeowner (H), the black man (B), the police who enforce the law (P), and the legislators who made the law (L). Let us further suppose that because of L, P forced H to sell to B. Now if we ask who is the moral agent (or responsible agent) in the actual selling of the house, we find that our answer to this question must be, nobody. H is not responsible for "selling" the house because he was coerced into the "sale." L and P are not responsible agents for the "sale," because they did not sell the house, since it was not theirs to sell. B, of course, does not figure into the selling act. We have, therefore, the peculiar picture of the performance of a supposedly good act without any morally responsible agents of the act.

It is true that L and P (and also H and B) are responsible in one sense, namely, *that* the house was "sold." The fact that L and P were responsible that the house was "sold," however, in no way entitles them to any moral credit. In order to discover the reason for our last assertion let us draw a distinction between "responsibility-that" and "responsibility-for." Responsibility-that an action occurs refers to the causal mode which brought about the action. Responsibility-for an action will include certain features of responsibility-that but adds the moral element of whether and in what sense the agents of the action acted by choice. There can be responsibility-that without responsibility-for. The case of the prejudiced homeowner is one example, and so is the case of the sleepwalker who is responsible-that the lamp fell on the floor but not responsible-for the lamp ending up there. Yet it was noted earlier that there can be good or bad acts only when there is (to use our new term) responsibility-for. It is possible under certain conditions to examine the moral aspects of responsibility-that; but this examination is only useful for determining the mode of action under which the responsibility-that falls. For example, one might consider responsibility-that in order to determine whether or not the action in question was initiated coercively, noncoercively, intentionally, etc.

To deserve moral credit, an action taken by an agent must be a good action. The only way any of the actions in the home-seller example could qualify as good actions would be if one were prepared to accept the notion that there can be morally good or bad actions apart from there being any

agent responsible-for those actions. I have previously indicated some problems with this position. Since no one is responsible-for the "selling" of the house, the act of "selling" the house no longer qualifies as a good act (though it may well have conferred a benefit). One cannot say, in other words, that the "selling" of the house is a morally good act and one that others ought to perform. *Ought* has no meaning when applied to H or anyone in H's position. Even *if* it were possible to say that the fact that the house was "sold" was morally good (which it is not), the fact that no one was responsible-for the "sale" of the house means that no one can claim moral credit for that "sale."[13]

The implications of the above argument are sweeping. The argument implies the following: if someone claims that he is about to do or advocate some action for the "public good" on moral grounds, and that coercive methods will be employed to secure the desired end, then the action that results from the coercion and for which the advocate of coercion attempts to claim some moral worth is not a morally worthy action.[14] Thus, a very large percentage of current political events do not deserve to be viewed as morally proper.[15] Having offered some rationale for the impermissibility of ever linking coercion to the morally good, let us now see if coercion must be considered morally bad.

There are many arguments against coercion that attempt to show the moral blameworthiness of coercion. Most of these arguments depend upon the acceptance of some standard for determining good and bad.[16] Instead of taking this road, I shall, for the sake of brevity, outline an argument based simply on the meaning of moral terms. If it can be shown that there is something problematic about statements claiming that coercion is morally proper, then we have gained some insight into why it is that coercion should always be avoided.

In order to assert that coercion is good, one must be able to argue that, at least in some circumstances, coercive acts ought to be undertaken. When one recommends the moral propriety of coercive acts, one implies the following proposition: "One ought to act such that the situation created by the coercive action renders the term *ought* (or *ought not*) inapplicable to the action to be done by the coerced, no matter what the nature of the action may be."[17] The foregoing proposition is a necessary implication of the recommendation to coerce, because of the argument given in the first part of this second section. To give an example, if a gunman sticks you up, it makes no moral sense to tell you (the coerced) that you *ought* to give the gunman your money; for one of our previous conclusions was that moral oughts are inapplicable to persons who are being coerced. Let us carry our analysis a bit further.

It is possible (*a*) to translate the word *ought* by substituting the word *good* (any other positive moral value term would work as well for our purposes). For example, when one asserts, "You ought to do *X*," one normally means

that it is good that you do *X*. Let us (*b*) also translate *the coerced* in the proposition of the preceding paragraph to "the other party to the relation." If we first apply translation (*b*), and then (*a*) with (*b*), to the proposition under consideration, we would move from, "One ought to act such that the situation created by the coercive action renders the term *ought* inapplicable to the action to be done by the other party to the relation, no matter what the nature of the action may be," to, "It is good to act such that the situation created by the coerced action renders the term *good* inapplicable to the action to be done by the other party to the relation, no matter what the nature of that action may be." Whatever our standard of goodness, this translation runs counter to our moral sensibilities. The reason we are apprehensive is that the power of the first *good* of the translation loses its force or meaning by the time we reach a consideration of the results of the action. It seems meaningless, in other words, to say that the first action of a relationship between two people is good (namely, A's coercion of B) if the second act (e.g., B's giving A the money in the gunman example) cannot bear any relationship to the moral quality of the first act. What could the first *good* possibly mean here? Does it make sense to assert that one ought to engage in a relationship with another person, who is necessary to achieve some end, when no matter what that other person does, his actions cannot be called good?

In the example under consideration it is impossible for the actions of A and B to have the same moral status. And if it is impossible for the actions of A and B to have the same moral status, then no meaning can be given to the proposal that A ought to act in a coercive way toward B. Since there is a relationship between A and B, the only way that relationship could be deemed a good one is if it were *possible* (at least) that the actions of both parties to the relationship could be good—otherwise (if it were not possible) there could be no morally good *relationship* between A and B. In short, coercive situations make it impossible for the term *good* to be applied to all parties to the relationship; and if a positive moral term, such as *good*, cannot be applied to all aspects of a relationship, then the relationship itself is suspect.

The kind of problem we ran into above does not arise if one begins with the supposition that coercion is bad or that one ought not to coerce. It is, indeed, meaningful to say that "one ought not to act such that the situation created by the coercive action renders the term *ought* (or *ought not*) inapplicable to the action to be done by the coerced, no matter what the nature of the action may be." (We can, of course, substitute *it is bad that* for *ought not* in the above.) In this last example, the entire force of the *ought not* is maintained. One can use *ought not* either to indicate that something is bad or to indicate that a relevant feature of an action may not be good. We usually use this second sense of *ought not* when we lack knowledge. For example, one might say that one ought not to do *X* because it is not known whether a relevant feature of that act is bad or good. But in situations in which coercion is used, we do

know that a relevant feature of an action *cannot* be called good (by the argument above). Thus, whether *ought not* is applicable to coercive acts because those acts are positively bad or because it is not meaningful to say one *ought* to coerce, the result is the same—coercive acts ought not to be undertaken. The initial force of the *ought not* generates no paradox. We must conclude, therefore, that the only way to characterize coercion is as an action that ought not to be undertaken.

The foregoing has shown that those who coerce (or advocate coercion of) another do not deserve moral credit for their actions no matter how beneficial the end they seek. I have also indicated why the action of one who engages in coercion can be considered morally improper. These arguments imply that the kinds of governmental initiatives that are justified on moral grounds cannot be so justified. Many contemporary political thinkers conceive of their task as one of balancing the requirements of freedom with those of morality (and virtue). This balancing procedure presupposes a fundamental conflict between these two requirements. Yet if the above analysis is correct, then—*fundamentally*, at least—there is no conflict. Mutual noninterference serves as a necessary condition for both a free and a moral, or virtuous, society. If this is so, our task becomes one of seeking voluntary means to secure those secondary freedoms spoken of earlier. This is a demanding task but one whose undertaking thereby enters the realm of the noble.

1. *Tractatus-Theologico Politicus*, ed. A. G. Wernham, (Oxford, 1958), chap. 20, p. 231.
2. *Politics* 5. 9. 1310a25–38.
3. Ibid. 3. 9. 1281a3–4.
4. See Aristotle's *Nicomachean Ethics* 6. 5. 1140a24–1140b30.
5. See my article "Government and the Governed," *Reason Papers*, no. 2 (Fall 1975), pp. 41–64.
6. It must be noted, of course, that mutual noninterference does not guarantee a virtuous society but serves only as a necessary condition for a truly virtuous society. Once this primary condition is secured, more would have to be done to secure a fully virtuous society. Though I also believe that a society based upon mutual noninterference is more likely to secure virtue, I shall not argue for that here.
7. The fundamental significance of choice in morality goes back at least as far as Aristotle. See the *Nicomachean Ethics* 3. 1. 1109b30–33: "Since virtue is concerned with passions and actions, and on voluntary passions and actions praise and blame are bestowed, on those that are involuntary pardon, and sometimes also pity, to distinguish the voluntary and the involuntary is presumably necessary."
8. I recognize the possibility of certain emergency cases (e.g., war) where the context is so radically altered that our above analysis may not fully apply. For the proper attitude toward such cases, see Ayn Rand, "The Ethics of Emergencies," in *The Virtue of Selfishness* (New York, 1964), pp. 43–49.
9. It would seem that the foregoing could lead to the following problem: given the general drift of our argument, it appears that one could absolve oneself of moral responsibility by asking to be coerced into an immoral action (e.g., "coerce me into stealing from *X*"); for if one was

coerced, one would not be responsible for the act. This case is only apparently a problem. Basically, there are two ways to consider this case: either one is free to back out of the deal to be coerced (in which case one is not coerced), or one is at core actually being coerced—that is, one is not free to back out or change one's mind. In the latter case one *would not* be fully responsible for what one did (though one may be responsible for initiating the situation). The point is that one's being coerced and one's not being coerced are mutually exclusive states of affairs. One cannot have the characteristics of both states of affairs at the same time. If one uncoercedly asks at time t_1 to be coerced at t_2, one is either uncoercedly following the conditions established at t_1 or one is actually being coerced at t_2. One cannot at the same time ask to be coerced and actually be coerced, because whether one is or is not coerced is a decision or action one cannot make oneself. One is coerced only and exclusively as a result of the decisions and actions of others.

10. I emphasize the qualification made in n. 8.

11. It should be apparent from what has been said that the view offered here is not a utilitarian one. The question of benefits is not a morally decisive factor. Almost any action appears to "benefit" somebody; thus a moral calculus of the distribution of benefits is required. I cannot undertake a critique of utilitarianism here, but my argument may still apply to those who desire to construct a utilitarian calculus that includes governmental coercion. (Indeed, I believe my argument does so apply.) I myself accept a position that looks, not to benefits (or consequences) of an action, but rather to the nature of the action itself and the conditions in which that action was undertaken. For a more complete account of my view, see my article "Ethical Egoism and Gewirth's PCC," *Personalist* 56 (1975), sec. 1.

12. I am not arguing in favor of racial prejudice, which I consider to be wholly immoral. I chose this particular case only so that I would not be open to the charge of selecting examples that gloss over the full implications of my position.

13. At this point the following question may arise: if L is not morally praiseworthy for the good act he produced, then would he be morally blameworthy if he coerced another to perform a *bad* act? It could appear by the above argument that he would not be morally blameworthy for the resultant bad act. If this is the implication of my argument, then that argument must be mistaken. This is not an implication of my argument, however. In our above case with L, H, P, and B, the mode of action taken by L (ignoring P for the sake of simplicity) ends with H. In other words, the following sort of relation obtains: L (coerces) H (non-coerces) B. This schema helps indicate that L is not the responsible moral agent in "selling" the house and that the mode of activity which L utilizes (coercion) ends with H and not B. Insofar as L is morally responsible, it is with respect to H and not to B. While H must "sell" the house to B, B has the option of refusing to take the house. Yet, now consider the schema for P coercing R to steal from Q: P (coerces) R (coerces) Q. Because the mode of activity is the same between (P and R) and (R and Q), and because P initiated the sequence, the moral agency of P now extends through R to Q. P is thus responsible for what happens to Q.

14. The advocacy of coerced actions on moral grounds is quite common among philosophers. For example, the following give but a minute sample of the articles available: Lord Patrick Devlin, "Morals and the Criminal Law," in *Ethics and Public Policy*, ed. Tom L. Beauchamp (Englewood Cliffs, N.J., 1975), pp. 246–48; Burton M. Leiser, *Liberty, Justice, and Morals* (New York, 1973), chap. 12; Peter Singer, "Famine, Affluence, and Morality," in *World Hunger and Moral Obligation*, ed. William Aiken and Hugh La Follette (Englewood Cliffs, N.J., 1977), pp. 22ff; Jan Narveson, "Aesthetics, Charity, Utility and Distributive Justice," *Monist* 56 (1972): 527–51; J. Brenton Stearns, "Ecology and the Indefinite Unborn," ibid., pp. 612–25; and B. J. Diggs, "The Common Good as Reason for Political Action," *Ethics* 83 (1973): 283–93. Most of the arguments put forth by these authors are stated in

impersonal terms—that is, they recommend that certain actions be taken by the state or the government. But since the state is run by individuals, the implications of their arguments are clear: those who contribute to the coercively enforced actions advocated by these authors should consider their acts to be of positive moral worth.

15. Needless to say, the argument above does not apply to retaliatory coercion, but rather to the initiatory use. I shall ignore those cases where the two sorts of coercion are mixed (e.g., when people are conscripted to defend themselves).

16. I could reference many such arguments, but one of the most recent defenses along these lines is given by Tibor R. Machan, *Human Rights and Human Liberties* (Chicago, 1973).

17. I refer the reader again to n. 9.

ROTHBARD'S INTELLECTUAL ANCESTRY

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MURRAY ROTHBARD is a prominent spokesman for neo-Austrian economics, yet the economics profession has not taken him seriously enough to investigate his claims. He and his disciples invite this neglect by treating the Rothbardian corpus more as creed-to-be-adhered-to than as theory-to-be-tested-and-improved-on. The profession's neglect is nonetheless unwise. Even if neo-Austrian economics turns out to be unsound, it should be taken seriously because of the growing number of intelligent people who identify themselves as Austrians.

Rothbard's methodology is crucial to the soundness of his approach. It must be defended if he is to exempt himself from the formal and statistical standards of the rest of the profession. In several locations, Rothbard sets down the basic principles of his method,[1] but nowhere in enough detail to satisfy the unconvinced. Instead, he refers to eminent figures from the past in whose works will presumably be found the missing links in his own exposition. To take Rothbard seriously, then, amounts to taking seriously his account of his intellectual ancestors. A critique of his account is not just of value for the light shed on his standards of historical research; more importantly, since Rothbard relies on his ancestors to fill in his methodological gaps, it may shed light on the strength of the methodology on which he proposes to erect the neo-Austrian alternative.

Rothbard claims that praxeology, which he identifies with "the axiomatic-deductive method" in economics,[2] has a long tradition. At the beginning of that tradition he locates Jean-Baptiste Say, for whom praxeology "was the basic method." He goes on to state that Say was "perhaps the first praxeologist."[3] However, contrary to these claims, Say's *Treatise on Political Economy* lends itself only grudgingly to identification with Rothbardian praxeology. Consider in evidence the following passage:

> In political economy, as in natural philosophy, and in every other study, systems have been formed before facts have been established; the place of the latter being supplied by purely gratuitous assertions. More recently, the inductive method of philosophizing, which, since the time of Bacon, has so much contributed to the advancement of every other science, has been applied to the conduct of our researches in this. The excellence of this method consists in only admitting facts carefully

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> observed, and the consequences rigorously deduced from them; thereby effectually excluding those prejudices and authorities which, in every department of literature and science, have so often been interposed between man and truth.[4]

Surely here we have a sympathy with Baconian inductivism, which is incompatible with praxeology.

Unfortunately, the limits of space do not permit a consideration of the lesser figures such as Cairnes and Senior whom Rothbard places next in the praxeological movement.[5] He maintains that several decades later, "during the 1870's and 1880's, . . . the praxeological method was carried on and further developed by the Austrian school, founded by Carl Menger of the University of Vienna."[6] Menger is a major figure in anyone's history of thought, so it is worth considering whether he, more than Say, is a consistent proponent of the praxeological method. In this regard the following lines from Menger are illuminating:

> Nothing is so certain as that the results of the exact orientation of theoretical research appear insufficient and unempirical in the field of economy as in all other realms of the world of phenomena, when measured by the standard of realism. This is, however, self-evident, since the results of exact research, and indeed in all realms of the world of phenomena, are true only with certain presuppositions, with presuppositions which in reality do not always apply. . . . There is scarcely need to remark that the above presuppositions in real economy all hold only in rare cases and that therefore as a rule *real* prices deviate more or less from *economic* ones (those corresponding to the economic situation). In the practice of economy people in fact endeavor only rarely to protect their economic interests *completely*. Many sorts of considerations, above all, indifference to economic interests of lesser significance, good will toward others, etc., cause them in their economic activity not to protect their economic interests at all in some cases, in some cases incompletely. They are, furthermore, vague and in error concerning the economic means to attain their economic goals; indeed, they are often vague and in error concerning these goals themselves. Also the economic situation, on the basis of which they develop their economic activity, is often insufficiently or incompletely known to them. Finally their economic freedom is not infrequently impaired by various kinds of relationships. A definite economic situation brings to light precisely *economic* prices of goods only in the rarest cases. *Real* prices are, rather more or less different from *economic*.[7]

Note that Menger is advocating what would today be called model building—working out the consequences of a set of presuppositions that are often lacking in reality. In this respect, though of course not in some others,

Menger is closer to the methodology of Milton Friedman[8] than to that of Rothbard. Unlike other economists who either claim that "man is rational" is true but empty or who apologetically claim that it is false but empirical, the praxeologist claims that it is *both* true *and* empirical. Thus, in this vital respect Menger is no praxeologist.

Contemporary praxeologists without exception acknowledge a methodological and substantive debt to Ludwig von Mises. He was both an advocate of the word *praxeology* and an exemplar of what it means. Mises was explicitly a Kantian in that he believed that important theoretical statements in economics are synthetic a priori and can be justified along Kant's line for justifying such statements. That line consisted mainly of providng a "transcendental deduction" of the twelve categories of thought (chief among them was "causation"—"action" was not included). The two versions of the deduction are among the most difficult reading in philosophy and have earned the gratitude of professors by providing an inexhaustible source of paper topics. What the deductions purport to do is to show that the categories are necessary presuppositions of our having any propositional knowledge at all. When the categories, so deduced, are applied to "the manifold of space and time" (which is, roughly, sense data or the given), the result is synthetic a priori statements, among the most notable examples of which are the axioms of Euclidean geometry.

Lord Macaulay said of Kant's *Critique of Pure Reason* that "I tried to read it, but found it utterly unintelligible, just as if it had been written in Sanscrit. Not one word of it gave me an idea except a Latin quotation from Persius. It seems to me that it ought to be possible to explain a true theory of metaphysics in words that I can understand."[9] Apart from its obscurity, Kant's position can be criticized on three main grounds. First, Kantians have never been able to agree on how many categories there are and on what they are. Second, Kant's prime example of synthetic a priori truths has been refuted. It was not just the development of non-Euclidean geometries by Lobachevsky and Riemann that caused the problem. The fatal blow came when Einstein found that the Reimannian geometry is compatible with relativity theory whereas Euclidean geometry is not.[10] The third criticism of Kant's position is that it results in transcendental idealism. Although Kant claimed that his idealism is unobjectionable, it is difficult to see how it differs from the more mundane variety. Both claim that men can have no knowledge of things-in-themselves, and both are hard put to avoid the absurd reduction to solipsism.

Of the criticisms of Kant, only the third seems to have carried much weight with modern praxeologists.[11] Even von Mises was concerned enough by the charge of idealism to produce a defense against it: "Only those groups could survive whose members acted in accordance with the right categories, i.e., with those that were in conformity with reality and therefore—to use the concept of pragmatism—worked."[12] Thus, for von Mises natural selection

ensures that our synthetic a priori knowledge is realistic. Ingenious as this defense is, it is apparently not ingenious enough to convince Rothbard and most other praxeologists to accept Kantianism as the philosophical underpinnings of praxeology.

Unfortunately, however, there is no account in Rothbard, comparable in scope and detail to von Mises's, of what the *true* underpinnings are. Occasionally Rothbard declares that he is an Aristotelian, but he only gives hints of what it is in Aristotle that he thinks relevant. In addition, he never considers whether in the relevant respects Aristotle's position may be subject to serious objections. Here, an attempt will be made to isolate and evaluate the aspects of Aristotle relevant to praxeology. Before doing this, however, it makes sense to examine three other methodologists whom Rothbard quotes approvingly: Weber, Schutz, and Croce; for it may be that in the work of one of them will be found insights as to how Aristotle's philosophy is to relate to praxeology.

Rothbard says that "the Austrians were endeavoring to construct a '*verstehende*' social science, the same ideal that Max Weber was later to uphold."[13] The central concept of Weber's verstehende social science is the "ideal type." Weber provides this account of its characteristics:

> An ideal type is formed by the one-sided *accentuation* of one or more points of view and by the synthesis of a great many diffuse, discrete, more or less present and occasionally absent concrete individual phenomena, which are arranged according to those one-sidedly emphasized viewpoints into a unified *analytical* construct (*Gedankenbild*). In its conceptual purity, this mental construct (*Gedankenbild*) cannot be found empirically anywhere in reality. It is a *utopia*. Historical research faces the task of determining in each individual case, the extent to which this ideal-construct approximates to or diverges from reality, to what extent for example, the economic structure of a certain city is to be classified as a "city-economy." . . . It is possible, or rather, it must be accepted as certain that numerous, indeed a very great many, utopias of this sort can be worked out, of which *none* is like another, and *none* of which can be observed in empirical reality as an actually existing economic system, but *each* of which however claims that it is a representation of the "idea" of capitalistic culture. *Each* of these can claim to be a representation of the "idea" of capitalistic culture to the extent that it has really taken certain traits, meaningful in their essential features, from the empirical reality of our culture and brought them together into a unified ideal-construct. For those phenomena which interest us as cultural phenomena are interesting to us with respect to very different kinds of evaluative ideas to which we relate them. Inasmuch as the "points of view" from which they can become significant for us are very diverse, the most varied criteria can be

> applied to the selection of the traits which are to enter into the construction of an ideal-typical view of a particular culture.[14]

As was the case with Menger,[15] Weber is best seen as advocating what would today be called model building.[16] Thus, as with Menger and Friedman, economic theory may contain important elements that are unrealistic. In an almost instrumentalist way, theories are to be judged by their relative applicability to the empirical facts, not on their strict truth or falsehood. For, strictly speaking, all ideal types are empirically false. Thus, Weber's ideal types are inconsistent with the claims that are made for the praxeological method. This is not to say that in actual fact von Mises and Rothbard do not in their economics use constructs that function as ideal types. In fact, the "evenly rotating economy" is a perfect example of such a construction. Of this ideal type von Mises says:

> These insoluble contradictions, however, do not affect the service which this imaginary construct renders for the only problems for whose treatment it is both appropriate and indispensable: the problem of the relation between the prices of products and those of the factors required for their production, and the implied problems of entrepreneurship and of profit and loss.[17]

But the use of ideal types by Austrian economists does not alter the fact that such constructs cannot consistently be part of the praxeological method. The praxeologist who saw this most clearly was von Mises himself in an early section of *Human Action* entitled "On Ideal Types."[18]

The second methodologist whom Rothbard quotes approvingly is Alfred Schutz. In a discussion of our knowledge of human action Rothbard says:

> Alfred Schutz pointed out and elaborated the complexity of the interaction between the individual and other persons, the 'interpretive understanding' or *Verstehen*, upon which this universal, prescientific knowledge rests. The common-sense knowledge of the universality of motivated, intentional human action, ignored by the positivists as 'unscientific,' actually provides the indispensable groundwork on which science itself must develop.[19]

The following shows Weber's ideal type to be at the core of Schutz's position:

> It is one of the outstanding features of modern social science to have described the device the social scientists use in building up their conceptual scheme, and it is the great merit of (Durkheim, Pareto, Marshall, Veblen, and) above all Max Weber, to have developed this technique in all its fullness and clarity. This technique consists in replacing the human beings which the social scientist observes as actors on the social stage by puppets created by himself, in other words, in constructing ideal types of actors.[20]

It has already been shown that the Weberian ideal type is a nonpraxeological concept. But Schutz tries to do more than just reiterate Weber's theory. He seeks to elaborate and secure it by applying to it the phenomenological analysis of Edmund Husserl. Husserl sought to get to the true essence of phenomena by "bracketing out" all the common beliefs of everyday life. After the philosopher had succeeded in systematically ignoring all of our everyday beliefs, he then would be able to intuit the essence of phenomena in their unpolluted purity. Consider what Husserl would have us bracket out:

> The whole world as placed within the nature-setting and presented in experience as real, taken completely "free from all theory," just as it is in reality experienced, and made clearly manifest in and through the linkings of our experiences, has now no validity for us, it must be set in brackets, untested indeed but also uncontested. Similarly all theories and sciences, positivistic or otherwise, which relate to this world, however good they may be, succumb to the same fate.[21]

The question, of course, is how with all this in brackets anything intelligible can be said about what is left. Jeff Bedrick of the Chicago Philosophy Department tells the story of how as a boy Husserl had been given a knife. He decided that he wanted to get it really sharp, so he got a whet-stone and started grinding. Never satisfied that he had gotten the knife sharp, he kept grinding until he had nothing left. Later in life Husserl said that he sometimes felt that he had done the same thing with his philosophy.

To the extent that Schutz is Weberian, he is nonpraxeological; to the extent that he is Husserlian, he is at best obscure.

The final methodologist to be considered before focusing on Aristotle is Benedetto Croce. He had, according to Rothbard, "his own highly developed praxeological position."[22] Among the more illuminating of Croce's comments on economics are those following his endorsement of the similarity of mechanics and economics:

> Mechanics are nothing but the complex of formulae of calculation constructed on reality, which is Spirit and Becoming in Metaphysic, and may be abstracted and falsified in Science, so as to assume the aspect of Force or a system of forces, for the convenience of calculation. Economy does the same thing, when it cuts off from the volitional acts certain groups, which it simplifies and makes rigid with the definition of the "economic man," the laws of "least means," and the like. And owing precisely to this mechanicizing process of economic Science, it is ingenuous to ask oneself why ethical, logical, or aesthetic facts are not included in Economy, and in what way they can be included. Economic science is the sum of abstractive operations effected upon the concept of Will or Action, which is thus *quantified*.[23]

This passage bears out the summary of Croce's position on economics that is presented by H. S. Harris:

> In spite of Croce's insistence that the "utility" of the economists is a fundamental philosophical category, his logic does not allow the admission of economics itself as a genuine philosophical science. The work of economists, like that of all other scientists, belongs to the category of utility itself, not to that of truth. "Economic man" is a paradigm case of a pseudo concept [24]

Since the praxeologist wants to consider economic theorems not just useful but also true, Croce is not a praxeologist.

It had been hoped that by looking at other methodologists of whom Rothbard approves, it might be possible to gain an insight into the sense in which he considers himself an Aristotelian. Unfortunately, this hope has not been fulfilled. So it is necessary to look directly at Aristotle to see if he was in any respect a proto-praxeologist.

The first difficulty that arises is the well-known apparent inconsistency between Aristotle's theory of science in the *Organon* and his actual practice of it in such works as the *Historia Animalium*. In the theory, Aristotle saw science as demonstrative, while in practice he relied much more on induction. The distinction is not clear-cut, however, since even in the *Organon* Aristotle saw a role for induction, problematic though that role may be.[25] Various attempts have been made to reconcile theory and practice, one of the most plausible of which claims that Aristotle saw the syllogistic only as the most effective method of teaching the truth, while careful observation is the proper method of arriving at it.[26] But this reconciliation could not be accepted by a praxeologist, for he wants to claim that deduction is *more* than a teaching device, being at the very least a method of justification and, thereby, of arriving at the truth. So the praxeologist must choose between two Aristotles, opting of course for the Aristotle of the *Organon*. This is the Aristotle of the demonstration, for whom, as Ross notes, "demonstration is scientific syllogism."[27] In the actual work of praxeologists not even the basic theory of demand has been formalized syllogistically. But if Aristotle is to be brought into the praxeological camp, the praxeologists will have to admit that such formalization is possible and, for the sake of demonstrative rigor and clarity, *desirable*. Whether Rothbard, at least, would be willing to make this admission is doubtful. He comes out against formalization in terms of modern symbolic logic, opting instead for what he calls "verbal logic."[28] This "verbal logic" might mean the syllogistic, but it probably does not, since Rothbard seems to think that he and the praxeologists have *already* achieved all the necessary rigor.

If Aristotle is not to be followed in his syllogistic method, then perhaps the aspect of his philosophy that is to support praxeology is his justification of

first principles. Rothbard has claimed that the first principle of praxeology —"man acts"—is self-evidently true.[29] He believes that there is a specific sort of argument in Aristotle that can be used to demonstrate the self-evidence of this principle.[30] Aristotle had argued that the man who denies the law of noncontradiction contradicts himself since, by making an assertion, he presupposes the validity of the law.[31] Similarly, Rothbard argues:

> A . . . self-contradiction faces the man who attempts to refute the axiom of human action. For in doing so, he is ipso facto a person making a conscious choice of means in attempting to arrive at an adopted end: in this case the end, or goal, of trying to refute the axiom of action. He employs action in trying to refute the notion of action.[32]

This argument is persuasive, but it is important to be clear on exactly how much or how little it proves. The axiom "man acts" is vague in many respects. Does it assert that all men act, or only some? Does it assert that each acting man acts all of the time, or does it allow for nonacting behavior? Most importantly of all, what meaning of the word *action* does it presuppose? The meaning and implications of this concept are notoriously difficult to pin down, as evidenced by the number of recent books that have attempted, without reaching consensus, to do so.[33]

What is sought from the wide range of possible interpretations of the action axiom is the strongest one provable by the Aristotelian argument. Now a person who denies the action axiom is *himself* intentionally doing something at a *particular* time. So he does not contradict himself if he either denies that *all* men sometimes act or that any man *always* acts. In short, what the Aristotelian argument proves is the following: the statement "some men sometimes do things intentionally" cannot be consistently denied. *This* statement is in turn a formal tautology, since it depends for its truth upon a "denial" being defined as an intentional action. Whether from this base anything of interest can be inferred (all of economics, say) is another question.

The results of this paper may be summarized briefly. First, Rothbard's account of his intellectual ancestry is inaccurate or subject to much qualification. Second, there are good grounds for doubting that a sound philosophical defense of Rothbard's praxeology can be given. On the latter point, much more can be said, but here only a final caveat is in order. A refutation of Rothbard's methodology should in no way detract from the insights and substantive work of other economists who identify themselves as Austrians. Israel Kirzner's analysis of entrepreneurship, Gerald O'Driscoll's treatment of credit cards, F. A. Hayeks's business cycle theory, Laurence Moss's research on the history of economic thought, and Mario Rizzo's work on crime[34] all deserve further attention.

*I am thankful for the time given by Alan Stockman, Martin Cook, David Mitch, and Mario Rizzo in criticizing an earlier draft. This paper bears little resemblance to that draft except that both are concerned with the status of praxeology. Since writing this paper, a valuable, though not always clearly written, critique of Rothbard's praxeology has come to my attention: Claudio Gutierrez, "The Extraordinary Claim of Praxeology," *Theory and Decision*, 1971, pp. 327–36. Gutierrez shows that, motivated by empirical considerations, Rothbard routinely redefines terms in the course of his "deduction" of theorems from the fundamental action axiom. Walter Block has written a reply to this article: "A Comment on 'The Extraordinary Claim of Praxeology' by Professor Gutierrez," *Theory and Decision*, 1973, pp. 377–87. But Block's reply fails to face squarely, let alone refute, Gutierrez's main thesis.

1. See Murray N. Rothbard, *Man, Economy, and State* (Los Angeles: Nash Publishing, 1970), pp. 63–66; "Praxeology: Reply to Mr.Schuller," *American Economic Review*, Dec. 1951, pp. 943–46; "In Defense of 'Extreme Apriorism,'" *Southern Economic Journal*, Jan. 1957, pp. 314–20; "Praxeology as the Method of Economics," *Phenomenology and the Social Sciences*, vol. 2, ed. Maurice Natanson (Evanston, Ill.: Northwestern University Press, 1973), pp. 311–39.

2. Rothbard, "Praxeology: The Methodology of Austrian Economics," in *The Foundations of Modern Austrian Economics*, ed. Edwin G. Dolan (Kansas Ctiy: Sheed Andrews & McMeel, 1976), p. 21.

3. Ibid., pp. 19, 25.

4. Jean-Baptiste Say, *A Treatise on Political Economy* (Philadelphia: Grigg & Elliot, 1834), p. xix.

5. Rothbard, "Praxeology: The Methodology of Austrian Economics," pp. 26–27. Rothbard is joined in his praise for Cairnes by Milton Friedman, who in class used to laud him for being the first economist to make predictions and then go back and check how they turned out. Specifically, in 1859 Cairnes predicted the consequences of the Australian gold discovery. When he reprinted his predictions in 1873 he appended a postscript evaluating their accuracy. J. E. Cairnes, "The Austrialian Espisode" and "Postscript," in *Essays in Political Economy* (London: Macmillan, 1873), pp. 20–52.

6. Rothbard, "Praxeology as the Method of Economics," p. 330.

7. Carl Menger, *Problems of Economics and Sociology* (Urbana: University of Illinois Press, 1963), p. 69.

8. See Milton Friedman, "The Methodology of Positive Economics," in *Essays in Positive Economics* (Chicago: University of Chicago Press, 1953), pp. 3–43.

9. Quoted in Brand Blanshard, *On Philosophical Style* (Bloomington: Indiana University Press, 1967), p. 1.

10. For a brief and simple review of the issues, see Stephen F. Barker, s. v. "Geometry," in *Encyclopedia of Philosophy*.

11. See Rothbard, "Praxeology: The Method of Austrian Economics," p. 24, and "Praxeology as the Method of Economics," p. 315. It should be noted that another issue, the status of geometry, played a significant role in the early, much-neglected, dispute between praxeologist Harro Bernadelli and positivist Felix Kaufmann. Bernadelli, "What Has Philosophy to Contribute to the Social Sciences, and to Economics in Particular?" *Economica*, Nov. 1936, pp. 443–45; Kaufmann, "Do Synthetic Propositions *a Priori* Exist in Economics—a Reply to Dr. Bernadelli," *Economica*, Aug. 1937, pp. 337–42. For a further contribution to the exchange that does not discuss the geometry issue, see also Lionel Robbins,

"Live and Dead Issues in the Methodology of Economics," *Economica*, Aug. 1938, pp. 342–52.

12. Ludwig von Mises, *The Ultimate Foundation of Economic Science* (Princeton, N.J.: D. Van Nostrand, 1962), p. 15. In this work, pp. 12–14, von Mises also briefly attempted to deal with the problem of non-Euclidean geometries.

13. Rothbard, "Praxeology as the Method of Economics," p. 332.

14. Max Weber, " 'Objectivity' in Social Sciences," in *The Methodology of the Social Sciences* (New York: Free Press, 1949), pp. 90, 91.

15. For a passage in Menger that closely anticipates Weber's ideal-type theory, see Menger, *Economics and Sociology*, p. 36. For an account of Menger's impact on Weber, see Thomas Burger, *Max Weber's Theory of Concept Formation* (Durham, N.C.: Duke University Press, 1976), pp. 150–53 and passim.

16. Burger, ibid., treats ideal-types in this way himself and documents how common this interpretation has been among other writers (pp. 212–13). For Rothbard's condemnation of model building, see Rothbard, "The Mantle of Science," in *Scientism and Values*, ed. Helmut Schoeck and James W. Wiggins (Princeton N.J.: D. Van Nostrand, 1960), p. 166.

17. Ludwig von Mises, *Human Action* (Chicago: Henry Regnery, 1966), p. 248. In part of a long discussion of the evenly rotating economy (ERE) Rothbard says: "In sum, rather than being in some sense more persistent and more real than the actual market, the 'long run' of the ERE is not real at all, but a very useful theoretical construct that enables the economist to point out the direction in which the market is moving at any given time—specifically, toward the elimination of profits and losses if existing market data remain the same. Thus, the ERE concept is especially helpful in the analysis of profits and losses as compared to interest. But the market data are the only actual reality." *Man, Economy and State* (Los Angeles: Nash Publishing, 1970), pp. 306–7.

18. Von Mises, *Human Action*, pp. 59–64.

19. Rothbard, "Praxeology as the Method of Economics," p. 316.

20. Alfred Schutz, "The Social World and the Theory of Social Action," in *Collected Papers*, vol. 2 (The Hague: Martinus Nijhoff, 1964), p. 17.

21. Edmund Husserl, *Ideas*, as partially reprinted in *Philosophy in the Twentieth Century*, vol. 3, ed. William Barrett and Henry Aiken (New York: Harper & Row, 1971), p. 101.

22. Rothbard, "Praxeology as the Method of Economics," p. 333.

23. Benedetto Croce, *Philosophy of the Practical* (London: Macmillan, 1913), pp. 374–75.

24. H. S. Harris, s.v. "Croce, Benedetto," in *Encyclopedia of Philosophy*.

25. For a brief mention of some of the problems, see W. D. Ross, *Aristotle* (London: Methuen, 1937), pp. 38–41.

26. See Jonathan Barnes, "Aristotle's Theory of Demonstration," in *Articles on Aristotle*, vol. 1, ed. Barnes et al. (London: Duckworth, 1975), p. 85.

27. Ross, *Aristotle*, p. 43.

28. By the way, Rothbard's rejection of logistics is unjustified, since he rests it on the claim, "If the logistic array of symbols were used, each proposition would not be meaningful." *Man, Economy and State*, p. 65. Consider, for example, the symbolic formalization of the syllogism:

(1) All men are mortal.
(2) Praxeologists are men.
(3) Praxeologists are mortal.

One way to formalize this would be to use three predicates: M = manhood, F = finite-lifehood (mortality), P = praxeologisthood. Then the syllogism would be formalized as:

(1) (x) [M(x) ⊃ F(x)].
(2) (x) [P(x) ⊃ M(x)].
(3) (x) [P(x) ⊃ F(x)].

Contra Rothbard, each proposition in the above formalization is meaningful. Symbolic formalization of a verbal deduction is merely translation from one language into another. Its value rests in exhibiting more clearly the structure of complicated arguments so that their rigor can be more easily evaluated. For a detailed examination of the relation between modern and Aristotelian logic, see Jan Lukasiewicz, *Aristotle's Syllogistic from the Standpoint of Modern Formal Logic* (London: Oxford University Press, 1957).

29. Rothbard, "Praxeology: The Methodology of Austrian Economics," p. 28; see also, idem, "In Defense of 'Extreme Apriorism,' " *Southern Economic Journal*, Jan. 1957, p. 317.

30. Rothbard, "Praxeology: The Methodology of Austrian Economics," p. 28.

31. Aristotle, *Metaphysics* 4. 3. 1006a–1009a, in *The Basic Works of Aristotle*, ed. Richard McKeon (New York: Random House, 1941), pp. 737–43. For a detailed examination of this argument, see R. M. Dancy, *Sense and Contradiction: A Study in Aristotle* (Dordrecht, Holland: D. Reidel, 1975). See also Douglas B. Rasmussen, "Aristotle and the Defense of the Law of Contradiction," *Personalist*, Spring 1973, pp. 141–62.

32. Rothbard, "Praxeology: The Methodology of Austrian Economics," p. 28.

33. See, e.g., Richard Taylor, *Action and Purpose* (New York: Humanities Press, 1973); Alvin Goldman, *A Theory of Human Action* (Englewood Cliffs, N.J.: Prentice-Hall, 1970); Robert Binkley et al., eds., *Agent, Action, and Reason* (Toronto: University of Toronto Press, 1971); and Myles Brand, ed., *The Nature of Human Action* (Glenview, Ill.: Scott, Foresman, 1970).

34. Israel Kirzner, *Competition and Entrepreneurship* (Chicago: University of Chicago Press, 1974); Gerald P. O'Driscoll, Jr. "The American Express Case: Public Good or Monopoly?" *Journal of Law and Economics*, April 1976, pp. 163–75; Friedrich A. Hayek, *Monetary Theory and the Trade Cycle* (Clifton, N.J.: Augustus Kelley, 1975); idem, *Prices and Production* (New York: Kelley, 1967); idem, *Profits, Interest and Investment* (Clifton, N.J.: Augustus Kelley, 1975); Laurence S. Moss, "Isaac Butt and the Early Development of the Marginal Utility Theory of Imputation," *History of Political Economy*, Fall 1973, pp. 317–38; idem, "The Economics of Adam Smith: Professor Hollander's Reappraisal," *History of Political Economy*, Winter 1976, pp. 564–74; idem, *Montifort Longfield, Ireland's First Professor of Political Economy* (Ottawaa, Ill.: Green Hill, 1976); Mario Rizzo's work is in an unpublished doctoral dissertation done at the University of Chicago.

FORMALISM AND INTERNAL EVIDENCE

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IN THIS PAPER, I shall argue that it is incorrect to restrict the acceptable evidence for a critical interpretation of a work of fiction to elements "internal to the work." This is a restriction commonly associated with formalism of one variety or another,[1] but not all theories of criticism that have the restriction are, strictly speaking, formalist theories. The theories that I wish to consider are thus perhaps more correctly termed simply "internalist" theories, and I shall henceforth adopt this terminology. The most important manifestation of the internalist bias is the exclusion from criticism of factors surrounding the creation of the work, the so-called "intentional considerations."[2]

Interpretive criticism of fiction is criticism that undertakes to explore what might be called the "world depth" of the work of fiction and its relation to the actual world. The interpretive critic offers an explanation of the characters and their motivations and the interrelations of sequences of events vis-à-vis the kind of world situation presented in the work. It is quite possible that not all criticism of fiction is interpretive in this sense.

I will attempt to show that internalist theories of interpretation have a fundamental flaw that renders them unable to do the job for which they were designed, that is, to deliver a satisfactory interpretation or explanation of a work of fiction.[3] No matter how generously "internal evidence" is construed, the internalist who restricts himself solely to it finds himself faced with an unpleasant problem: either all explanatory criticism is illegitimate because it demands decisions that cannot be made on internal grounds alone; or any work has as many correct interpretations as it has consistent and complete explanations. On the first alternative, we lose most of literary criticism; on the second, we lose all sense of objectivity in literary interpretation. Noninternalist theories, I shall argue, are not faced with this particular difficulty.

I

Internalism is worth considering. This is not solely because there are still a number of critics and theorists who accept its tenets or who accept uncritically assumptions about critical methodology that are obviously warranted

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only if internalism is correct. Internalism has a certain independent intuitive plausibility. When a work of fiction leaves an author's hand, it seems to acquire a life of its own. We need not, it seems, know what Fielding intended or anything about 18th-century fiction to decide what happens in *Tom Jones* or whether the novel is hilarious. In addition, we want to be able to deal critically with works where our information about the author and the work's origin is radically deficient. Moreover, most critics are not prepared to defer to the author, even if the information is available. We may have good reason to suspect that the author is philosophically or psychologically obtuse, even when, qua artist, he has an unerring sense of detail. Why not adopt internalism then?

True, it is by no means clear initially what does and what does not count as "restricting oneself to the internal features of a work of fiction." Still, it seems this clarification need not be a major problem. Surely we want to admit that there is what we call "explicit information." For every declarative sentence of the work, then, let us admit that there is what we shall call a "corresponding sentence" of criticism true of the work. In addition, we are entitled, it seems, to the deductive consequences of this first set of critical sentences. Let us then construe "the internal elements of a work of fiction" as follows: (i) the "corresponding sentences" of all the fact-establishing sentences of the work,[4] and (ii) the logical entailments of the corresponding sentences. But the enlightened internalist will surely not stop here. He will want, in addition, those critical descriptions obtained by analyzing the meanings of the expressions of the work. This demands a competent grasp of the syntax of the language of the work.[5] We must concede to the internalist any inference based on meaning-preserving syntactical transformations. And we may as well concede inferences based on quasi-logical expressions such as modal and epistemic constructions. To forestall difficulties, let us also concede to the internalist whatever connections of expressions are pronounced analytic. We can also grant that our internalist is very sensitive to unusual syntax and to subtle meaning nuances. Naturally, he is also sensitive to unusual combinations of expressions that are structurally complex and significantly recurrent. But when the internalist has taken all these factors into account, he has exhausted his theoretically available evidence. He has dealt with the literary object qua object. In theory, he can go no further. He is not allowed recourse to what the author intended, what his other works were like, the spirit of the age in which the work was written. If the internalist adheres to this program, then, let us say that he is "attending exclusively to the internal features of the work." If internalism has difficulties on this generous formulation, then more restricted versions will have greater difficulties. I shall refer to the position outlined here as that of the "hypothetical internalist." If this position *per se* has problems, then all theories that rest upon it have a common flaw, regardless of their individual differences.

II

What sorts of critical activity are liable to involve the hypothetical internalist in difficulties? The hypothetical formalist does not intend to end up with a fragmented array of linguistic insights. He fully intends to obtain a synoptic view of the work as a work of fiction. As a bare minimum, then, he ought to be able to tell us what the fictional world is like, what laws govern it, why the characters do what they do.[6] This kind of critical activity rests on an analysis of plot situations, posing hypotheses about the characters' probable psychology, delineating temporal sequences of events, locating and discriminating between possible and certain causal connections between events, inferring information that seems to be left out, etc. For want of a more glamorous term, I shall call this sort of criticism "explanatory criticism." The critic is in an obvious sense explaining what is going on. The critic who fails at this job fails pretty dismally.

Explanatory criticism is the most basic kind of interpretive criticism. Criticism of other kinds is dependent upon it. For example, in the cases of stream- and center-of-consciousness works or first-person narration, we need to know what the fictional world is like in order to evaluate the narrator's competence. Among the most important kinds of criticism dependent upon explanatory criticism is criticism in which the critic claims to show what bearing a work might or should have on our knowledge of our own actual world. Obviously, we have to know what the fictional world is like, whether it is similar to our own or not, what goes on in it, in order to support claims of this kind. Since explanatory criticism seems to be so central, let us first turn our attention to it and see if our "hypothetical formalist" can give a satisfactory account of conclusions about the way the fictional world is, character analyses, and explanations of situations and events. All these critical activities fall under the heading of "explanatory criticism."

In the description of the actual world, such explanations presuppose other, methodologically more basic principles having to do with the law structure or constitution of the universe in question. (What *sort* of principles are presupposed may vary with the kind of conclusions we are interested in.) We are in general more or less aware that many of the higher-level descriptive claims we make about the actual world are "theory-laden" or "theory-dependent" in this way. Quite simply, the terms we use have meaning, and the claims we make are intelligible and correct, given the tenability of certain basic theories about the way the world is.

What I wish to emphasize is that our situation with respect to a fictional world is similar to our real-world situation in an important way. To achieve in our descriptions of fictional worlds a level of sophistication comparable to our ordinary survival level in the actual world, we must rely on principles bearing on the lawlike constitution of a fictional world, which tell us, for

example, whether it is a "magical" or a "naturalistic" universe. The chosen principles and the explanations they generate constitute the explanatory interpretation of a work. Different sets of principles or laws will give rise to different explanations and hence to different interpretations. In interpreting a work of fiction, just as in dealing with the actual world, the set of principles used to ground and generate explanations must be justifiable, should the interpreter be challenged. It is quite true that most explanatory conclusions are, as assumed in a recent article, based on assignments of probability.[7] But the probabilities assigned must be relevant to some set of laws which are themselves demonstrably right for the work.

Given that he must adopt some such set of principles in dealing with a work of fiction, can our hypothetical internalist give a satisfactory justification of his choice of principles? His position is that, in describing and explaining the work, he restricts himself to its explicit elements and to inferences based on the meaning of the expressions used in the work. We have already noted the appeal of his position. I shall now argue that it is nonetheless fatally inadequate, that the formalist position, formulated as I propose, cannot handle the production and defense of explanatory criticism. From the meager resources at his disposal, the internalist simply cannot defend the adoption of a specific set of principles as *the correct set* for a given work.

The crux of the matter is that there is a marked difference between fictional worlds and the actual world. In the actual world, we suppose ourselves to be at least theoretically in a position to justify our basic lawlike principles in some objective way, by an appeal to our own metaphysical predilections, by an appeal to the appropriate science, or by reflection on our past experience of the actual world. In the case of a fictional world, these particular avenues are never open to us. Once the work has been read carefully, the fictional facts are all in. We cannot very well appeal directly to science about the *actual* world or to our experience of or views about the actual world and other fictional worlds to justify our decisions about the lawlike constitution of a given fictional world. To be sure, we must adopt *some* principles even to be able to read intelligently. We must assume either that certain nonlogical laws or connections between predicates that hold in the actual world also hold in the fictional universe or that they are replaced by laws that do not hold in the actual universe. The principles chosen may change in the course of reading. The question is how, in the end, the critic defends the chosen set of principles as the correct set of principles.

There is one very general objection to the problem of justifying an interpretation as I have set it up. It is just as well to clear it out of the way at the start. It might be objected that the meanings of predicates are a result of the theories within which they occur and hence that even reading a work of fiction, as we obviously can, presupposes knowledge of the explanatory theories that apply to it. Such an objection might be held to show that in a

subtle sense the formalist is correct, that is, that in knowing the meanings of the expressions, we do implicitly know the law structure of fictional worlds. Thus, it might be argued, there can be no question of measuring the sets of principles against the "data" presented by the work, since there *are* no hard data, independent of meaning-defining principles. This objection is serious enough to merit an answer.

It is quite true that a complete interpretation of the predicates and their interrelationships presupposes a set of explanatory hypotheses adopted as principles that govern the fictional world. But for a given work, there will be several (at least) alternative choices of meanings and corresponding principles. Being able to read the work in the first place means that one has *a reading* of the work; it does not preclude the existence of *competing readings*. The critic's job is to choose between these. What is at issue is not so much "how to read a book" as "how to show that one has read it correctly."

Furthermore, there *are* "hard data" in the following sense. There are a certain number of uses of expressions that have to be interpreted consistently and cogently. We may, for example, discover that we can cogently explain all the tense expressions in their contexts in a work only if we assume a nonstandard tense logic; that is, we may discover that we get a consistent world discription only on the assumption of a nonstandard tense logic. No doubt in adopting these principles, making them the basis of our explanation, we diverge from the normal meaning of some tense expressions.[8] Nonetheless, whether the chosen principles allow us to interpret the expressions concerned so as to yield a consistent world description remains an objective question.

Finally, novels present some problems in explanatory criticism about which it is not even plausible to claim that they affect the meanings of the predicates. Suppose we have already decided that the universe in question is causally normal and are now faced with the problem of whether to construe the narrator's behavior in accordance with the laws of Freudian psychology. This decision may be quite important interpretively. On a Freudian interpretation, the possibility that the narrator is systematically misrepresenting the members of his family is substantially increased. Yet it does not seem that the choice affects the meaning of the predicates involved. When the narrator says that his father is angry with him, we may well suspect that his vision is warped; but the meaning of *angry* remains the same.

Thus, the attempt to vindicate formalism on the grounds of the theory dependence of predicates fails, and the formalist is left with the question how to show that a given interpretation of a work is the correct one.

There is no point in making the naïve claim that we simply begin reading, then learn from the facts of the fictional world that certain laws hold in it. We cannot presume that we are able to learn from a fictional world in just the way we do from a description of the actual world. For many of our common

procedures for dealing cognitively with the actual world—for example, simple induction—depend on prior assumptions about the constitution of the world to which we are not entitled in the case of fiction. We cannot merely assume causal regularity, for example. A unique choice of interpretation cannot be defended on the grounds that it allows us to explain all the "data." An ingenious critic can usually think up a dozen or so on the spot; and there is good reason to suppose that he could preceed to infinity, if time and patience were unlimited. If explanatory adequacy where the sole consideration, then any of these explanations should give us that same comfortable feeling of "fittingness." Ordinarily, most of them do not. Explanatory adequacy imposes on interpretations a minimal condition, one that even the internalist can rely on; but it seems not to be the only consideration.

The internalist may attempt to argue that we have underestimated the extent of the internal evidence. We know that certain laws hold in the fictional universe, he may say; and we are automatically entitled to claim that others hold also. Thus, our assumptions about the law structure of the work are therefore based on its internal features and what follows from those features. But this move is not legitimate. For the relationships between laws are in general nondeductive, and they do not seem to be analytic either. Connections between laws depend on the nature of the world to which they apply. Hence, we would have to argue that the fictional world was enough like the actual world that normal connections between laws still obtained. And it is the nature of the assumptions we are allowed to make that we are arguing about.

But the internalist has presumably not yet finished having his say. He may attempt to claim that he is entitled to the principles he chooses because such principles are true by virtue of the meanings of the expressions that constitute them. But is this so—even given the extensive concessions we have made about meanings? Among the inferences the internalist will want to carry through, presumably, will be some like that from:

(1) *S* knows that *p*

to

(2) *S* does not believe that *not-p*;

or, for example, from what Roger Chillingworth says to Hester in the prison scene to:

(3) Roger Chillingworth wanted revenge on Hester's partner in adultery.

Even the inference from (1) to (2) is open to debate. Very few people, I think, would be inclined to grant it on the basis of the meanings of the expressions in question. The inference to (3) certainly requires the mediation of nonanalytic psychological laws. And at any rate, our critic will more likely want more colorful inferences. Perhaps he will, for example, want to go from a description of Roger Chillingworth's behavior to the conclusion that Roger Chillingworth had heretofore lacked a goal structure and therefore jumped at the chance to get one, even one based on aversion, rather than

on positive desire. Can such inferences be legitimated on the basis of the given data, syntax, and analytic connections? I think not. In comparable claims about the actual world, we would base our inferences of this kind on deeply embedded generalizations about the actual world, which were originally learned from experience but which subsequently themselves play an important role in our further acquisition of knowledge and thereby form a foundation of knowledge. In this case, we would doubtless rely on psychological generalizations. In drawing conclusions, we would use some rules of nondeductive inference. But all of these generalizations and procedures depend in turn on more basic principles bearing on the way the world is—for example, that it is causally regular, that intentions and personality traits are evinced by what people say and do. To ground comparable claims about the characters of *The Scarlet Letter*, the formalist must adopt parallel principles and use methods of reasoning analogous to those assumed legitimate with respect to the fictional world. Unfortunately for the "hypothetical internalist," the normal choice of principles is not always warranted, as is readily evident from science fiction and fantasy works.

A concrete example, I think, will make the exact nature of the hypothetical internalist's predicament clearer. Let us suppose that a Balzac novel assigns two different dates to the same event. If something of this sort occurred in a history book, we would know immediately that at least one of the dates is incorrect. On the other hand, although we should be very surprised if a Balzac fictional universe were not like this one in its space-time structure, the possibility is not automatically excluded. We *could* claim in such a case that Balzac was, contrary to popular opinion, writing science fiction and employing a nonstandard tense logic. The example is farfetched, but it is not clear how the internalist could argue against this hypothesis if the interpretation is explanatorily adequate. Of course, it is *simpler* to explain that Balzac must have lost track of his earlier report or overlooked a misprint and that the universe is normal after all. But it is by no means clear that the simpler theory is automatically to be preferred. Both theories do account for the facts, as, no doubt, do numerous other theories. In this case, the "simpler" solution involves reducing some "data" to non-data status, always a drastic move. And there are surely many cases in criticism in which we would *not* opt for the simpler solution. In a science fiction work with a first-person narrator, for example, it is usually simpler to assume that the narrator has taken an overdose and dreamed the whole thing than to allow that we are being presented with a non-normal universe. It is also patently incorrect. Similar considerations affect other standard criteria of theory preference.

The strict internalist will probably at this point retreat to the position that in a problem case like the one hypothesized, he need not claim that there is some particular set of principles that lead to a *unique* correct interpretation. If, as in the present case, we are faced with two explanations that both

explain the data, then we simply have to admit that the "problem work" is ambiguous. The critic's job in such a case is simply to delineate the explanatory alternatives that would account for the facts. But this move merely dramatizes a fatal weakness in his position. It turns out that every work is in principle a "problem work."

Consider *The Scarlet Letter*. Most of us would accept it as a work that poses none of the sort of interpretive problems we are worried about. Yet in the opening scene, we are told that Roger Chillingworth sees Hester on the scaffold *and* that an expression of horror crosses his face. The normal reader assumes—though he is not told—that Chillingworth's face contorts in horror *for some reason*. People generally do not react in this way unprovoked. The reader further assumes that it is what the character sees that causes his reaction. People do sometimes recoil in horror from things that they see, and we have been given no other relevant information. But in connecting the events in this way, we have in fact assumed that the causal and psychological laws of *The Scarlet Letter* are very much like those which govern this world. This choice of principles seems natural. But even in this case, no doubt a sufficiently ingenious critic could construct alternative sets of principles that would force us to account for the explicit facts in quite different ways. Thus, even in a work that would normally be called nonproblematic, the problem of the bizarre—but adequate—interpretation occurs. In effect, every work becomes a problem work, and *ambiguous* becomes worthless as an aesthetic predicate. What is surprising is that there is as much consensus as there obviously is about the interpretation of works of literature.

The internalist thus finds himself faced with a difficult choice. He can claim that all explanatory criticism (and all criticism dependent upon it) is illegitimate. But once the presuppositions involved in our normal reading procedures are made explicit, it turns out that on this alternative we lose most of criticism. Or the internalist can allow explanatory criticism, thereby granting that all works are interpretively ambiguous. It becomes impossible to give any theoretically significant explanation of critical consensus or any defense of a particular interpretation against competing interpretations that are bizarre but adequate.

The real source of the problem is the internalist's initial restriction of data relevant to determining the interpretation of a work to "internal evidence." It is natural to assume that he means by this that any interpretation that adequately explains his chosen data is an acceptable interpretation. Recognizing the difficulty, he may attempt to add to the criterion of explanatory adequacy without sacrificing the internalist restriction of relevant data.

One popular special criterion for interpretive theories in aesthetics is the claim that the correct set of explanatory principles is the one that "makes the work come off best." One obvious problem with the suggestion is that, for any work whatsoever, it is possible to dig up an interpretation that is explanatorily adequate and that makes the work appear intriguing, complex,

etc. As a result, the number of negative evaluations we are entitled to make decreases radically. We might, for example, have to rate a given romantic work very high (although our initial impulse is to damn it for unbearable mawkishness) because it is exquisite when read as a parody. Another problem is that there is massive and energetic disagreement about what makes any work "come off best."

The internalist critic can, of course, appeal to critical intuition. All the data we are entitled to use are internal, he may claim; but mere explanatory adequacy is not the sole criterion for an acceptable interpretation. The correct interpretation, he may claim, just does emerge from the internal elements, gradually dawning and constituting itself in full clarity and embracing every minute detail. I surely do not wish to deny that the phenomenon that the internalist describes does indeed occur. But as a justification for an interpretation, this kind of appeal to "critical intuition" is a desperate move.

It is a good deal more to the point to note that much of our evidence about the correct interpretation of a work come from factors external to the work and that such evidence plays a legitimate and important role in interpretive criticism. The "intuition" of the competent critic has its feet rather firmly planted in historical good sense and extensive background knowledge. And the factors that influence the interpretive decision should be given their due in the account of justification. This means abandoning the internalist restriction of relevant critical evidence to "internal evidence."

III

The noninternalist critic is in a much better position to deal with explanatory criticism than is his internalist opponent, both with regard to critical decision making and with regard to explaining critical consensus. He can, for example, argue that nearly all of Balzac's novels are plausibly construed as causally normal relative to the actual world, as are nearly all novels written before the 20th century. As in other cases of human actions, we come to expect a given kind of work from a given author or in a given period.[9] In Balzac's case, the novel is one of a series, *The Human Comedy*, that exhibits an evolution of skill and sharpening of focus if construed as causally normal. In this case, as it so happens, we have the artist's stated intentions—Balzac's opinions in his prefaces and letters. Surely most of our preferred and unquestioned literary interpretations can be traced to a semiautomatic appeal to factors external to the work which delimit the interpretive options and cause some to be preferred to others.[10]

Although we cannot, as we have seen, use our knowledge of the actual world directly in arguments about the fictional worlds, we can use it indirectly in arguments about literary works as products of real-world actions. Explanation of actions and intentions is tricky business.[11] Agents

often misdescribe their actions, and the ingenious psychologist can nearly always present competing explanations of actions. Artistic creativity introduces "maverick factors" in addition to the problems normally encountered in explaining actions, intentions, and action products. The questions are nonetheless this-worldly. And in this-worldly affairs, we have certain advantages. We have preferred explanatory models and some sense of how to defend them. And we have a very strong vested interest in separating useful theory from idle speculation.

The externalist approach is not infallible. Arguments based on the author's stated intentions may mislead. An author may give an interpretation of his work that is not a good explanation of the facts presented in the work or that is incompatible with a set of basic principles and resultant explanations that did deal more adequately with the presented facts. In such a case, it would be quite appropriate to say that the author had misdescribed his own (quite complex) speech act. But in the present case, none of Balzac's individual novels gives evidence that he has misdescribed his action in telling us, as he does now and then, that he is constructing a normal universe. And there is no independent biographical evidence that shows that he cannot be trusted. We can be misled by broader genetic arguments also. We might, for example, conclude from the date of a work that it was a romantic work and proceed to interpret it as if it had the special symbolic vocabulary of romantic works, then find the work recalcitrant. Parallel mistakes occur in writing history. But in the absence of a counterargument from features internal to the work, an argument based on the author's stated intentions or upon the circumstances surrounding the creation of a work is admissible as an argument about the nature of the world of the work, hence about the correct interpretation of the work. We are at a definite advantage when we are arguing about our own world.

In the case just discussed, intentional and genetic considerations are used to show that a work does have normal law structure. But there are times when it is important to argue that we are *not* justified in relying on laws or connections of laws that hold in the actual world to map out the nomological geography of the fictional world. In Kafka's works, for example, or in science fiction, non-normal universes are quite common. In a few such cases, we have internal evidence that some of the generalizations we normally rely on do not hold. In some cases, assumption of normal causal laws gives an interpretation that is not a consistent world description. But external considerations are usually important. In a science fiction novel with a personal narrator, we could, of course, always argue that the narrator has taken an overdose and hallucinated the subsequent story. The contents of hallucinations need not be consistent. Such interpretations become extremely implausible, however, in the face of appeals to the author's stated intentions or to his other works or to works by authors writing in the same tradition or the same artistic circle, which are also plausibly explained by the

assumption of abnormal law structures. We can also have recourse to the fact that the author was considering some problem in his diaries or nonfictional works and proposed to write a fictional work along the same lines. If such considerations support an explanation that is already conceded to be explanatorily adequate, then that interpretation is probably the best.

It will no doubt be objected at this point that the theory I propose is excessively intentionalistic and headed toward all the traditional pitfalls. And certainly it *is* what I should prefer to call "externalistic." It is quite true that on the theory I propose, some genetic arguments and some intentional ones turn out to be good ones. One answer to the internalist objections is that the alternative to intentionalism is universal interpretive ambiguity, not with respect to the specifically aesthetic properties of works or our evaluations of them, but with regard to the "facts" of the work. If I am right, we cannot conclusively decide on the interpretation of a work on "internal grounds," although internal considerations may rule out some interpretations as adequate explanations. Furthermore, it is not clear that the theory I propose is vulnerable to the stock objections to intentionalistic theories. Very likely the author knows better than the rest of us what his intentions were and how he wants the work to be taken—although this is open to debate. But his word is surely not the only evidence we have for choosing a way of interpreting the work. The author does not, on my theory, become the final arbiter of the nature of his fictional speech act, any more than any user of language is the ultimate arbiter of the nature of the speech act he performs or the effect it has. The artist may ascribe to his work aesthetic qualities that it lacks, or he may advance an interpretation that is not adequate. Thus the simplest and most traditional arguments against reliance on intentions simply do not count against the theory I am advancing.

A parallel with graphic art will perhaps help here. Our claim that Monet painted water lilies is due, I suspect, largely to his claims that that is what his pictures were of. Many of our higher-level interpretive claims are based on the assumption that the paintings are of water lilies. If we had no information about Monet, we could base our interpretive arguments about his work upon other works similar to his in their internal features, works about which we had further information. We might at least narrow down the range of possible picture subjects in this way. If we had no historical knowledge at all about the impressionists but did have a large body of their works and, in addition, some photographs of the scenes they represented (paper-clipped to the backs of one or two of the pictures, let us say), then we could begin to theorize about the "facts" of the works *via* our conclusions about the representative conventions involved. If we had no information at all, however, we would not be able to decide whether a group of works was representational, let alone *what* was represented by the individual works, if anything.[12] This conclusion, far from being undesirable, is clearly what common sense dictates. The parallel for works of fiction, which are rep-

resentational in a slightly different sense, is obvious. Here, again, we are dependent upon external considerations, but I cannot see that we are relying on the author's intentions in any objectionable sense. The theory I am proposing is externalistic. And I think I have shown that externalism is a feature of any acceptable theory of interpretation.

Of course, the formalist is right in claiming that internal evidence is primary, that the data given in the work provide the initial testing ground for any explanatory theory about the work and for descriptions that rest on such explanatory theories. What I have tried to point out is that categorically restricting criticism to the primary or "internal" data cripples interpretive criticism in a rather unexpected and entirely unacceptable way.

1. No doubt some theorists would like to distinguish formalism altogether from internalism, which, they might claim, is a mere consequence of formalism (though perhaps a characteristic and unavoidable one). For the purposes of this paper, I will ignore this distinction to some extent. This procedure has the effect of forcing us to bypass some of the more interesting features of individual formalistic theories, and the formalist may well regard this as unjust. Nonetheless, the procedure is legitimate. For internalism is a central, but mistaken, feature of all formalist theories. Many of the other techniques and tenets of formalist theories seem unobjectionable, or at least open to debate. But if the internalist position is mistaken, they are left without theoretical justification.

2. A distinction can be drawn between considerations directly relevant to what the artist intended and more general considerations having to do with the circumstances surrounding the creation of the work—e.g., the age in which the author lived, his circle of friends, or his aesthetic theories. These latter factors we might call "genetic," rather than "intentionalistic." This is a distinction that has traditionally been ignored in practice; see M. Beardsley and W. K. Wimsatt, "The Intentionalist Fallacy," in *The Verbal Icon* (Kentucky, 1954), pp. 3–18. There are theorists who still defend the Beardsley-Wimsatt position unconditionally. A. J. Ellis, "Intention and Interpretation in Literature," *British Journal of Aesthetics* 14 (1974), does so; and Stein Haughom Olsen, "Authorial Intention," *British Journal of Aesthetics* 14 (1974) seemed of the same mind. His more recent position, spelled out in "Interpretation and Intention," *British Journal of Aesthetics* 17 (1977), is somewhat more moderate. Though he still seems to think that the work itself is the only evidence commonly accepted for the intent of a work, he does speak of a practice-defined matrix of intentions similar to those important for assessing moves in chess; his position is thus similar to that of Mark Roskill, "On the Intention and Meaning of Works of Art," *British Journal of Aesthetics* 17 (1977), who speaks of a notion of "the intent of a work," which is not to be identified with the intentions of the author as independently determinable. Berel Lang, "The Intentional Fallacy Revisited," *British Journal of Aesthetics* 10 (1967), and George Yoos, "The Work of Art as a Standard in Itself," *Journal of Aesthetics and Art Criticism* 26 (1967–68) propose "compatibilist" solutions that covertly reintroduce anti-intentionalism.

3. Throughout this paper, I shall consider a critical interpretation satisfactory only if there are good arguments to support the claim that this is the correct or best interpretation (or at least that no other interpretation is better). An interpretation is satisfactory, then, only if it is

defensible. Thus, internalism as I construe it is both a theory about how to choose an interpretation of a work of fiction and a theory about what kind of evidence is admissible in arguments for a given interpretation.

4. This account is somewhat oversimplified. Obviously, in a basic description, if p is a sentence of dialogue, we precede the sentence corresponding to the quoted material with an indication of who said it; and if p falls within a center- or screen-of-consciousness passage, we precede the sentence corresponding to the sentence of the work with an indication of who thought it. In addition, we make the appropriate indexical adjustments.

5. We have to assume, for example, that our formalist reader knows the difference between *the*-constructions in "*The gladiator* kicked *the bucket*" and "*The whale* is becoming extinct" and that he can recognize meaning-preserving transformations.

6. Throughout this paper I will be talking as if the work of fiction were a world description (more properly speaking, a world presentation) and thus subject to many of the same restrictions as a complete state description of the actual world. This way of talking is intelligible and relatively clear and does not prejudice the issue at hand.

7. Philip Devine, "The Logic of Fiction," *Philosophical Studies* 26 (1974): 390–91.

8. In the case of Heinlein's *The Door into Summer*, for example, the expression *before* acquires a "new meaning." Some sentences normally entailed by sentences in which *before* occurs are no longer legitimately derivable. Usually we are not overly precise about such "new meanings." We simply come to accept without undue worry a claim to the effect that the time traveler genuinely experiences the distant future *before* the immediate future, a claim that would be downright bizarre in a description of the actual world.

9. It seems relevant, for example, that no one at the time of Balzac had even considered nonstandard conceptions of objective time. This sort of argument is allowed by even such a strict anti-intentionalist as Wimsatt in "History and Criticism," in *The Verbal Icon* (Kentucky, 1954), pp. 253–65. Probably Wimsatt should not allow such arguments, given his internalism.

10. This is somewhat similar to justifying the claim that someone is carving a figurehead (although it might to all appearances just as well be a free-standing statue) because he is known to be working in his basement on what appears to be and what he claims is a viking ship.

11. Externalist arguments in criticism are usually complex and difficult, as any argument about human actions and their products.

12. It will be fairly clear that my view of the conventional nature of representation is very similar to the views of Nelson Goodman and Gombrich.

PROBLEMS WITH AUSTRIAN BUSINESS CYCLE THEORY

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AS A HISTORIAN, I have long been interested in applying the insights of Austrian theory to the interpretation of business cycles as they have occurred in history. In pursuing this endeavor, I have encountered what I believe are a number of problems with Austrian business cycle theory. Although brought into relief by historical inquiry, the problems themselves are not historical. On the contrary, they are all theoretical in nature. Some are merely areas where the implications of Austrian theory have yet to be fully worked out. Others are more serious in that, if they are not resolved, they imply that Austrian business cycle theory is erroneous. Some I feel close to having resolved myself; on others, I can only offer constructive comments.

I will present six of these problems in this paper, but first I should expose one of my fundamental assumptions. This assumption informs my presentation of several of these problems and, in my experience, has proved very controversial. Frequently, those attempting to resolve these questions will do so by challenging this assumption.

According to Austrian theory, the boom or cyclical upswing consists of a lengthening of the structure of production induced by credit expansion. The depression or cyclical downturn consists of a shortening of the structure of production until it is back into coordination with consumers' time preferences. The importance for Austrian theory of these changes in the structure of production cannot be overrated. Unlike many other economic theories of the business cycle, Austrian theory does not fix or hold constant the capital stock but makes it *the* crucial variable. This fact further permits the integration of Austrian growth theory with Austrian business cycle theory.

My fundamental assumption consists of the observation that, because the boom is a lengthening of the structure of production while a depression is a shortening of it, violent fluctuations in time preferences that generate similar alternations between lengthening and shortening can theoretically cause a business cycle. Stated another way, this assumption means that the lengthening of the structure of production that occurs as the result of credit expansion and the lengthening of the structure of production that occurs as the result of a genuine shift in time preferences are basically identical *except* for the fact that the lengthening due to credit expansion must in the future be reversed because it is inconsistent with underlying consumers' tastes.

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Much Austrian writing on the business cycle is not only compatible with this fundamental assumption but directly implies it. If the changes in the structure of production induced by credit expansion are different from changes in the structure of production caused by changes in time preferences in some essential respect other than that they must in the future be reversed, no one has explicitly identified this additional difference. The only argument against this assumption that I have encountered alleges that the two lengthenings of the structure of production are different in character because one involves a coordination of the plans of consumers and entrepreneurs while the other involves a discoordination of plans.[1] Therefore, one is in some sense more real than the other, which is merely illusory. This argument, however, does nothing more than restate in different words the basic difference already admitted: the lengthened structure of production induced by credit expansion must be reversed when consumers' actual time preferences finally reassert themselves. It does not prove the existence or indicate the nature of any additional differences.

Perhaps I can illustrate this point more clearly with an analogy. Assume that consumers' money that would be spent on good A is expropriated by the government through taxes to be spent on good B. Entrepreneurs divert resources in response to the new market signals. Now, one can say that the economy is discoordinated with the desires of consumers, that resources spent on the production of B are wasted, and that if the government stops its expropriation, the market will shift back again. One cannot, however, contend that the demand for B manifested by the government with its ill-gotten gains is illusory or that the effect it has on the economy is any different from the effect if the consumers themselves had shifted in a similar degree from A to B. Money creation is just another means of expropriation, and if it did not actually succeed in diverting resources, there would be no reason to employ it. Credit expansion does divert real resources—that is the meaning of "forced savings"; and to the extent that it does so, the lengthened structure of production induced by credit expansion is just as real as the lengthened structure of production caused by changes in time preferences.

Problem 1: Asymmetry. During the boom when the structure of production is lengthened, the capital goods industries (or goods of the higher orders) expand while the consumers' goods industries (or goods of the lower orders) contract. Labor is bid from consumers' goods industries to capital goods industries. During the depression, when the structure of production is shortened, the reverse takes place. The consumers' goods industries expand, the capital goods industries contract, and labor is bid from the latter to the former. Why are these two processes not symmetrical in their effect? Why is the expansion of the capital goods industries and the contraction of the consumers' goods industries accompanied by *general* prosperity and full employment, while the expansion of the consumers' goods industries and

the contraction of the capital goods industries accompanied by *general* depression and unemployment? Why is not frictional unemployment equally great in both directions? Why, to use the analogy above, is the process not similar to taxing expenditures on good A to make expenditures on good B? When the tax is imposed, industry B expands and industry A contracts. When the tax is repealed, a reverse, but symmetrical, reaction takes place.[2]

Actually, one must distinguish two aspects of this asymmetry between booms and depressions. First, there is asymmetry in employment. Second, even without employment effects, there is asymmetry in the way individuals generally perceive their economic fortunes. As Austrians frequently and quite correctly emphasize, depressions are not centered in single industries or groups of industries but are general phenomena in which losses and failures are widespread. Conversely, booms are periods of general prosperity.

The asymmetry in employment is easier to discuss. F. A. Hayek, in *Prices and Production*, offers one explanation that I find unsatisfactory.[3] He essentially argues that when the expansion in the consumers' goods industries bids some labor away from the capital goods industries, the remaining laborers in the capital goods industries are thrown out of work because there are not enough of them to complete the projects in the higher orders but too many of them to be absorbed in the lower orders where the projects are too short. Clearly, this argument makes some peculiar assumptions about the demand curves for labor in both the higher and lower orders. Is there no wage rate low enough at which all labor could be reabsorbed by the lower orders?

As a substitute for Hayek's tortuous explanation, one could more simply explain the employment asymmetry by reference to real wages. During the boom, as credit expansion drives the interest rate down, real wages (measured by comparing nominal wages with the price of labor's product) are by implication going up. During the depression, as the reassertion of time preferences brings the interest rate back up, real wages fall. The shift of labor during the boom is accompanied by rising real wages; the shift of labor during the depression, by falling real wages. This could explain the asymmetry in employment. Including the real wage as a factor, however, forces Austrian economists to relinquish the claim that they, unlike other schools of thought, explain unemployment solely be reference to the maldistribution of labor.

Hayek also deals with the asymmetry in prosperity, again in *Prices and Production*, in a footnote:

> The reason for this assymetry [*sic*] between a transition to longer processes of production, which need not bring about any of these peculiar disturbances, and a transition to shorter processes, which will regularly be accompanied by a crisis, will perhaps become more evident if it is considered that in the former case there will necessarily be

> time to amortize the capital invested in the existing structure before the new process is completed, while in the latter case this will evidently be impossible and therefore a loss of capital and a reduction in income inevitable.[4]

To the extent that I understand what Hayek is driving at, he is saying that a shortening of the structure of production, by its nature, requires capital losses, while lengthening does not.

If my interpretation of Hayek is correct, he is stating in another manner the same explanation for the asymmetry in prosperity that is implied in the works of Ludwig von Mises and Murray Rothbard. Both Mises and Rothbard assert, when discussing growth, that an economy in which the structure of production is being lengthened experiences net pure (entrepreneurial) profits, while an economy in which the structure of production is being shortened experiences net pure losses. According to Mises, the net pure profits in a progressing economy result from the additional wealth and increased real income produced by the lengthened structure of production.[5] While intuitively appealing, Mises's reasoning is hardly conclusive, especially in view of the time lag between the initiation of a new lengthening process and the increased output of consumers' goods. Rothbard's explanation is a bit more rigorous:

> For profits to appear, there must be undercapitalization, or overdiscounting, of productive factors on the market. For losses to appear, there must be overcapitalization, or underdiscounting, of factors on the market. But if the economy is stationary, i.e., if from one period to another the total gross investment remains constant, the total value of capital remains constant. . . . Aggregate capital values remain constant, and therefore any profits . . . must be offset by equal losses. . . . In the progressing economy, on the other hand, there are additional investment funds made available through new savings, and this provides a source of new revenue not yet capitalized anywhere in the system. These constitute the aggregate net profits during this period of change. In the retrogressing economy, investment funds are lowered, and this leaves net areas of overcapitalization of factors in the economy. Their owners suffer aggregate let losses during this period of change.[6]

One would suppose that if the assumption of net pure profits during a lengthening and net pure losses during a shortening of the structure of production was crucial to Austrian business cycle theory, then it would have received greater attention in Austrian writings. If Austrian theory cannot explain the asymmetry in prosperity, it cannot explain the business cycle at all. The reason, of course, that the issue of net pure profits has not received the attention it deserves is that is has never been raised within the context of cycles but rather always within the context of growth. Indeed, by injecting

the issue into the discussion of cycles, I have opened myself to the criticism of confusing cycles with growth. This accusation, however, is simply another way of challenging my fundamental assumption about the basic similarity of a lengthened structure of production due to credit expansion and a lengthened structure of production due to changes in time preferences, and the same arguments apply. The asymmetry in prosperity must either be inherent in the nature of changes in the structure of production itself, or it is inherent in the process used to alter the structure of production. The issue of net pure profits implies the former. If this is so, then the same process should create booms and depressions regardless of what is happening to the structure of production, and the entire lengthening-shortening analysis becomes superfluous verbiage disguising the real issue.

Problem 2: Definition of the Money Stock. For most Austrian economists, an exact definition of the money stock may be a thorny empirical question, but it does not pose any serious theoretical issues. I think the problem does have theoretical significance, but before I indicate why, I will restate the problem in a more precise fashion. In any developed economy, a wide spectrum of various types of financial instruments exist, ranging from bank notes and deposits to bonds and bills of exchange. What is needed is not a definition for money; all Austrians recognize that money is a generally accepted medium of exchange. What is needed is a defining criterion for what constitutes a money substitute, so that this wide spectrum of financial instruments can be clearly divided between those that are money substitutes and those that are credit instruments.

The reason a clear dividing line is necessary relates to the various means by which a genuine change in time preferences on the part of consumers can manifest itself. An individual with a money income continuously faces three possible ways of allocating that income. He can spend it on consumers' goods, he can spend it on investment goods, or he can increase (or decrease) his cash balances. Time preferences determine the aggregate ratio between consumption and investment, which in turn determines the nature of the structure of production. A simple change in time preferences occurs when spending is reallocated from consumption to investment or *vice versa*. But non-neutral changes in the demand for money can also affect the structure of production. A neutral change in the demand for money would be, say, a fall in cash balances that increased equally both consumption and investment spending, thus maintaining the same aggregate consumption-investment ratio. If, however, cash balances fall primarily by adding to investment spending, this is, in effect, a fall in time preferences. Similarly, if cash balances fall primarily by adding to consumption spending, this represents a rise in time preferences.

The dividing line between money substitutes and credit instruments is the margin between cash balances and investment. If this margin is not well defined, then it becomes theoretically impossible to distinguish between

changes in the stock of money and changes in time preferences brought about by non-neutral shifts in the demand for money relative to investment spending. For example, time deposits are an item that some Austrian economists view as money substitutes, while others view them as credit instruments. Suppose that, for some reason, people turn in their demand deposits for time deposits, so that the aggregate quantity of one falls in favor of a rise in the aggregate quantity of the other. Now, if time deposits are money substitutes, then this shift merely reflects a change in the form in which people wish to hold money. But if time deposits are credit instruments, then, ceteris paribus, this shift represents a fall in the demand for money in favor of investment spending, that is, a genuine fall in time preferences.

Let us assume that we have an economy which has a banking system with only time deposits and that there is no central bank. Consider the case in which the quantity of time deposits increases over a period until a banking panic wipes them all out. Such a sequence of events, especially in the absence of a central bank, may not be very likely, but it is at least theoretically conceivable. Clearly, all would agree that this sequence would generate the characteristic boom and depression of the business cycle. Depending, however, on whether one considers time deposits to be money substitutes or credit instruments, one could attribute this cycle either to credit expansion or to violent fluctuations in time preferences (manifested through non-neutral changes in the demand for money).

Many of the earlier Austrians recognized this close connection between changes in the stock of money and changes in the demand for money. Hayek evaded the whole issue by talking about the effective money supply (some form of MV) and making a distinction between a constant money supply and a neutral money supply, the latter being one in which shifts in the stock of money counteract non-neutral shifts in demand.[7] The haziness of the borderline between credit expansion and changes in time preferences also reinforces my fundamental assumption about the basic similarity of the impact of either on the structure of production. I do believe, however, that it is possible to arrive at a theoretical criterion that clearly and unambiguously divides money substitutes from credit instruments and thus preserves the important distinction between credit expansion and genuine changes in time preferences, but that is the subject of another paper on which I am currently working, and I do not have the space to present my conclusions here. My point here was to explain why I think the problem is important enough to be worth resolving.

Problem 3: Net Investment. Lengthening the structure of production entails positive net investment. Maintaining the structure of production intact at its current length entails zero net investment. Shortening the structure of production entails disinvestment. During depressions, therefore, net investment should be negative. But in U.S. history, the only depression in which measured net investment was actually negative was the

Great Depression. In all the others for which data are available, net investment fell but still remained positive. Does this mean that Austrian theory is irrelevant to all but one major depression in U.S. history?[8]

One obvious way around this difficulty is to show how the Austrian concept of net investment is different from the net investment measured by national income accountants. This, in fact, is the approach taken by Hayek in *Prices and Production*, where he argues that net investment will be measured, not only when the structure of production is initially lengthened, but continuously until the new structure is completed and the expanded output of consumers' goods pours forth on the market. He concludes that, once a structure is lengthened, there is some declining rate of positive net investment that will exactly maintain it until the time of completion, when measured net investment can fall to zero. Any fall in measured net investment faster than this rate will necessitate a shortening of the structure.[9]

In a later essay, "Price Expectations, Monetary Disturbances and Malinvestments," Hayek took a slightly different approach. By the time Hayek wrote this essay, he had despaired of giving any meaning to the notion of maintaining capital intact. This made it impossible to measure net investment at all. Hayek therefore decided that all statements about the absolute size of the capital stock should be purged from discussions of business cycles. What is important is whether the plans of entrepreneurs coincide with the plans of consumers. If they do, everything is fine; if they do not, regardless of whether "entrepreneurs lengthen the investment period by more than is justified by the voluntary 'saving' of consumers" or "they do not shorten the existing processes of production sufficiently to take full account of the 'impatience' of consumers," a depression will result.[10]

On the whole, I think Hayek's first approach to the problem is more fruitful. As pointed out above, the discoordination of the expectations of entrepreneurs with the tastes of consumers is simply another way of stating that market forces are going to require the entrepreneurs to revise their plans. This revision will be necessary regardless of whether or not entrepreneurial plans were at one time consistent with consumers' preferences. Hayek in effect admits this in the very same essay when he points out that both credit expansion and violent fluctuations in saving will generate business cycles. Furthermore, the direction of the discoordination is vitally important. Hayek would certainly not contend that, if entrepreneurs somehow underestimate consumer saving and thus are forced to revise their plans and quickly lengthen the structure of production, a boom followed by a depression will result. Yet that is what he must contend if it is solely the discoordination that is important. In reality, the fact that the discoordination requires sudden shortening of the structure of production is what is important. Without the shortening, there will be no depression.

Despite these objections, "Price Expectations, Monetary Disturbances and Malinvestments" does make an important contribution as the first

attempt to apply Austrian business cycle theory within a dynamic setting. All other discussions of Austrian business cycle theory superimpose the impact of credit expansion on a stationary economy. Presumably, some of the conclusions might need modification if, instead, the impact of credit expansion is superimposed upon a progressing economy with falling time preferences. A depression could be forestalled if the increased real saving that otherwise would have further lengthened the structure of production is sufficient to maintain the malinvestments induced by credit expansion.

Problem 4: Deflation. Actually, this problem subsumes a lot more than its title implies. It includes all the additional events other than credit expansion that will, according to a consistent application of Austrian theory, cause a depression. All of them can cause depressions with no previous boom; a few seem to necessitate a trailing boom. I have called this the deflation problem not only because deflation appears to be the most empirically probable of these possibilities but also because of Rothbard's position that deflation is not really harmful but is in some cases beneficial.[11]

a. Capital Consumption: I have already noted that violent fluctuations in time preferences can cause a boom-depression sequence. In fact, all that is strictly necessary is a rise in time preferences. As time preferences rise, the structure of production will shorten, and a depression will continue until time preferences stabilize. Capital consumption will always involve depression.

b. Deflation: Deflation or, more precisely, credit contraction will drive the loan rate of interest above the natural rate. If credit contraction occurs as a secondary feature of a depression already caused by previous credit expansion, it will bring about more shortening of the structure of production than is necessary and aggravate the depression. If credit contraction occurs with no immediately preceding credit expansion, it will cause a depression with no prior boom. In both cases, a trailing boom should follow when consumers' time preferences reassert themselves.

c. Consumption spending stimulated through monetary expansion:[12] If new money, rather than entering the loan market, is spent exclusively on consumption, then this should artificially shorten the structure of production. A depression with a trailing boom will result. This conclusion is noteworthy because one might argue that war-time monetary expansions actually follow this pattern. Historically, however, war-time monetary expansions have not been accompanied by depressions, although they also have not generally created investment booms. This would suggest that in practice war-time monetary expansions have been neutral with respect to the structure of production. I should further add that the consequences predicted, both for deflation and consumption spending stimulated through monetary expansion, are based on the assumption of a stationary economy. If one assumes an underlying progressing economy, then some of the depression effects will be offset by falling time preferences.

Problem 5: Constant Rate of Credit Expansion. Austrian economists are very fond of claiming that once a credit expansion has induced a boom the only alternatives open are a depression or a hyperinflation. The implication of this claim is that only an accelerating rate of credit expansion can keep the boom fueled. But nowhere is the outcome of a credit expansion at a steady rate clearly specified. Presumably, since such a policy cannot generate a continuous boom, it must either result in (*a*) a continuous alternation of booms and depressions or (*b*) a boom followed by a continuous depression. Much Austrian writing is ambiguous between these two alternatives.[13]

When I first formulated this problem, I was uncertain about the answer. I have now concluded that a constant rate of credit expansion will produce a boom, followed by a period in which the economy is adjusted to the credit expansion. The reason for this conclusion is that, ceteris paribus, a constant rate of increase in credit has the same impact on the structure of production as a once-and-for-all fall in time preferences that moves the consumption-investment ratio to a new stable level. In other words, the structure of production is lengthened and then maintained at the new level. This result must not be confused with a continuous boom, which involves a continuous lengthening of the structure of production. That obviously does require accelerating credit expansion.

Surprisingly, especially in light of the fact that in his popular writings Hayek is one of the most prominent purveyors of the hyperinflation-depression trade-off, my conclusion finds support in some of Hayek's writings. For instance, in *Prices and Production*, Hayek says:

> . . . in order to attract as great a proportion of the original factors, i.e., in order merely to maintain the already existing capital, every new increase would have to expand progressively at a constant *rate*. But in order to bring about constant additions to capital, it would have to do more: it would have to increase at a *constantly increasing rate*.[14]

More recently, in "Three Elucidations of the Ricardo Effect," Hayek seems to admit that a constant rate of increase would maintain the malinvestments.[15] In both locations, however, Hayek goes on to express doubts that such measures can maintain the malinvestments indefinitely.

Obviously, there must exist *some* rate at which credit expansion will maintain the lengthened structure of production. A frequent argument used to support the proposition that this rate must be an accelerating one is that anticipations will adjust to the credit expansion and counteract its effects. To be convincing, however, this argument must identify exactly what is being anticipated. Anticipations about changes in the price *level* cannot alleviate a distortion of relative prices. The Fisher effect may raise the interest rate, but because it operates on both the demand and supply side of the loan market, it will not raise interest enough to overcome the impact of the new credit. If the natural rate is 4 percent and a credit expansion begins which lowers the loan

rate to 3 percent and causes a 2 percent increase in the price level, the Fisher effect will drive the loan rate up to 5 percent. To offset the credit expansion, however, it would have to push the loan rate up to 6 percent; but in order to do that, it would have to affect the demand and supply for loanable funds disproportionately. The supply must fall relative to the demand, which would mean that real savings are decreasing and time preferences rising.

Perhaps expectations about the rising prices of consumers' goods might cause consumers to increase their demand for such goods at an accelerating rate, bringing into operation the Ricardo effect. The money with which consumers do this, however, must come from somewhere. By hypothesis, it cannot come from rising nominal incomes because the new money is only entering the economy at a constant rate. Therefore, it must come at the expense of investment spending or cash balances. In either case, we again have a rise in time preferences. Or, a neutral fall in the demand for money that increases investment and consumption spending equally would also require the rate of credit expansion to accelerate if the lengthened structure of production is to be maintained. The consumption-investment ratio of consumers would be the same, but an increase in the nominal amount of consumption spending necessitates a similar increase in the nominal amount of new money spent on investment.

In sum, if time preferences and the demand for money remain the same, then a constant rate of credit expansion will maintain an artificially lengthened structure of production. Only if anticipations change time preferences or the demand for money, will the rate of credit expansion have to accelerate. Let me close by making clear what I am not claiming. I am not denying that prolonged credit expansion might have *other* deleterious and discoordinating effects. I am not ruling out the kind of unsystematic distortions advanced by Leijonhufvud. Unsystematic distortions, however, do not constitute general phenomena, and as pointed out above, it is general phenomena that characterize the business cycle.

Problem 6: International Aspects. Rather than being a specific problem, this is an area where Austrian theory needs to be more fully worked out. Austrian economists have for the most part developed their business cycle theory within the context of a closed economy and have rarely applied it to an international setting. To illustrate, I list three kinds of international environments to which Austrian theory might be applied.

a. An international environment of competing national central banks. This is clearly the one international case for which a lot of work with Austrian theory has already been done.

b. An international environment with a central bank in one nation and a decentralized fractional-reserve banking system in another. Much can be extrapolated to this case from the previous one, although this case has not been explicitly considered. The reason this case is worth pursuing is that it represents the very relationship that existed between the United States and

Great Britian throughout most of the 19th century. How theoretically sound are the recent historical efforts suggesting that the U.S. banking system was just the tail being wagged by the Bank of England dog?

c. An international environment with a central bank in one nation and a commodity, 100 percent reserve standard in another. There has been no work, even by implication, on this case. It is important because it isolates the question whether capital flows from the country with a central bank can induce malinvestments in a country with a commodity standard. Are 100 percent reserves a safeguard against credit expansion elsewhere in the world?

The three cases that I have listed are not confined in their significance to an international environment. The principles discovered in examining them could also be applied to certain types of intranational monetary arrangements. The Jacksonian period in U.S. history, with its rich variety of banking schemes in the several states, is an example that immediately comes to mind.

Having completed my exposition of these six problems, I notice that I have offered more solutions than when I originally formulated the questions and started the paper. So I feel that I should add that I consider many of my conclusions tentative. My main purpose is not to argue that my resolutions are the final answers but to raise these issues so that others will be stimulated to think about them and perhaps arrive at more satisfactory answers. Rumor has it that at a recent strategy meeting, the top-flight Austrian economists decided that the Austrian business cycle theory should be deemphasized in favor of other aspects of Austrian theory. As is obvious from this paper, I think the exact opposite should be done. We need more, not less, work on Austrian business cycle theory.

1. Friedrich A. von Hayek implies this argument in his 1933 essay "Price Expectations, Monetary Disturbances and Malinvestments." which appears in his book *Profits, Interest and Investment* (1939; reprint ed., Clifton, N.J., 1975), pp. 135–56. Hayek himself does admit that violent fluctuations in real savings could also cause business cycles: see *Monetary Theory and the Trade Cycle* (1933; reprint ed., Clifton, N.J., 1975), pp. 205–6; "Saving," in *Profits, Interest and Investment*, pp. 166, 167; "Price Expectations," p. 143. I will return again in this essay to the latter essay.

Gerald P. O'Driscoll, Jr., and Sudha R. Shenoy, in an article which relies heavily on the discoordination theme, appear to make self-reversibility the defining characteristic of discoordination. See "Inflation, Recession, and Stagflation," in *The Foundations of Modern Austrian Economics*, ed. Edwin G. Dolan (Kansas City, Mo., 1976), particularly p. 201.

2. The asymmetry problem is not original with me. Gottfried Haberler raises it in *Prosperity and Depression*, 3d ed. (London, 1958), p. 71, and he cites as precursors E. F. M. Durbin, *The Problem of Credit Policy* (New York, 1935), pp. 242–47, and C. Bresciani-Turroni, "The Theory of Saving: II," *Economica*, n.s. 3 (1936): 175–76.

3. F. A. Hayek, *Prices and Production*, 2d ed. (1935; reprint ed., New York, 1967), pp. 92–93.

4. Ibid., p. 93. Later, in the title essay of *Profits, Interest and Investment*, when Hayek introduced the Ricardo effect, he partially got around the asymmetry in prosperity with a modification in timing. It was this slight shift in timing that confused so many of Hayek's critics, notably Kaldor, and convinced them that he had inverted his entire theory. In the new version, the expansion of the consumers' goods industries became the final phase of the boom. Unfortunately, the far-reaching but unrealistic assumptions under which the discussion in "Profits, Interest and Investment" is conducted—wages rigid downward, no mobility of labor between industries and hence between capital goods and consumers' goods industries, a fixed interest rate, and exclusively specific capital—make it almost totally irrelevant for grappling with the issues raised in this paper.

5. Ludwig von Mises, *Human Action*, 3d rev. ed. (Chicago, 1963), pp. 294–95.

6. Murray N. Rothbard, *Man, Economy, and State* (1962; reprint ed., Los Angeles, 1972), 2: 483–84. In a footnote, Rothbard discusses the consequences if these changes are anticipated:

> It is possible that the changes in investment were anticipated in the market. To the extent that an increase or a decrease was anticipated, the aggregate profits or losses will accrue in the form of a gain in capital value before the actual change in investment takes place. Losses arise during the retrogression because previously employed processes have to be abandoned. The fact that the highest stages, already begun, have to be abandoned is an indication that the shift was not fully anticipated by the producers.

7. Hayek, *Prices and Production*, pp. 27, 113–34. Fritz Machlup, *The Stock Market and Capital Formation* (London, 1940), also introduced the effect on the business cycle of non-neutral changes in the demand for money.

8. This criticism was made by Alvin H. Hansen and Herbert Tout, "Annual Survey of Business Cycle Theory: Investment and Saving in Business Cycle Theory," *Econometrica* 1 (1933): 119–47, especially pp. 135–38.

9. Hayek, *Prices and Production*, pp. 136–39. This discussion was added to, and only appears in, the second edition.

10. Hayek, "Price Expectations," p. 154. In a later essay, Hayek elaborates on the problems involved with the concept of maintaining capital. "The Maintenance of Capital," *Economica*, n.s. 2 (1935): 241–76, reprinted in *Profits, Interest and Investment*.

11. Rothbard contends that because deflation causes no malinvestments it is harmless and that, if it occurs in conjunction with a depression, it will be beneficial because it will accelerate recovery. Murray N. Rothbard, *America's Great Depression* (1963; reprint ed., Los Angeles, 1972), pp. 21–25; idem, *Man, Economy, and State*, 2: 864–66. Neither Mises nor Hayek agrees with his position.

12. Hayek mentions this as a possible cause of depressions in "The 'Paradox' of Savings," *Economica* 11 (1931): 125–69, reprinted in *Profits, Interest and Investment*.

13. The one exception is O'Driscoll and Shenoy, "Inflation, Recession, and Stagflation," who opt for alternative (*b*).

14. Hayek, *Prices and Production*, pp. 149–50, emphasis in original. Hayek goes on to add that the constant rate will set off a "rapid and progressive rise in prices," which will offset the forced saving. Why a constant rate of monetary expansion produces accelerating price rises is not explained.

15. F. A. Hayek, "Three Elucidations of the Ricardo Effect," *Journal of Political Economy* 77 (1969): 274–85. Note particularly the following passage from p. 288:

What happens, however, if the increase in the quantity of money entering through additional investment continues for a much longer period? We shall now assume that it does so, not at a constant, absolute rate, but at such a rate as is necessary to maintain the increased volume of real investment. This will mean a constant percentage increase in the total flow (and quantity) of money, because, if before it needed a 1 percent addition to attract the additional resources to investment, after the total money stream (and general prices) will have risen by 1 percent, it will need an increase of 1.01 percent to produce the same effect, and so on.

This process can evidently go on indefinitely, at least as long as we neglect changes in the manner in which expectations concerning future prices are formed.

HOBBES'S THEORY OF SOVEREIGNTY IN *LEVIATHAN*

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THE THEORY OF SOVEREIGNTY forms a central concern of Hobbes's political science. Part 1 of *Leviathan*, which culminates in the discussion of the state of nature, is intended to establish the necessity of Hobbes's theory of sovereignty and therewith its justification. Yet the theory of sovereignty bears a problematic relationship to his psychology. There is no necessary, logical dependence of the theory of sovereignty in *Leviathan* upon statements concerning man in the state of nature, yet it is on the strength of such a dependence that Hobbes claimed to be the first political scientist. The theory of sovereignty, I will argue, is a purely analytical concept proceeding from Hobbes's adherence to a deductive model of science, not from his discussion of man as a rational egoist. He did, of course, intend to ground it on his view of man.[1] I argue that he failed. If we are to understand the real apart from the intended ground of sovereignty, we must look to his method—that is, his concept of science—rather than his psychology. The latter will simply not yield the results Hobbes intended.

For Hobbes, the soul of science is logic, not experience. Science must be freed of prudential considerations, as these cannot surpass the limitations of experience (chap. 5, p. 117). While there is much in his writings which is merely prudential, he was confident that his civil philosophy did not rest upon any empirical propositions (save one, the truth of which he took to be admitted by all men[2]). In at least one respect, Hobbes succeeded. His concept of sovereignty does not rest upon empirical grounds. Neither, then, does it rest upon any propositions concerning man. Though men may vary greatly from Hobbes's description, the concept of sovereignty would remain unchanged. In short, they are not logically dependent; their linkage is too weak to support Hobbes's scientific claims.

I

Hobbes's method, of course, combines the "resolutive-compositive" method of Galileo and Harvey with principles of geometric reasoning. Whereas scientific inquiry today, particularly that undertaken by social scientists, is inductive in approach, Hobbes adhered to a strictly deductive model, which helps to account for his fascination with geometry (chap. 5, passim). Harvey's use of the resolutive-compositive method was crucial to

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Hobbes because the study of the human body encounters the same difficulty as the study of the body politic. Neither can be literally resolved into its simplest constituent elements and then reconstructed. Just as Harvey's discovery of the circulatory system is an imaginative inference from clues given in the behavior of the partially dissected body, Hobbes's state of nature is an imaginative inference from the behavior of men in society. The most concise explanation of the method is given in the preface to *De Cive*.

> Concerning my method, I thought it not sufficient to use a plain and evident style in what I have to deliver, except I took my beginning from the very matter of civil government, and thence proceeded to its generation, and form, and the first beginning of justice; for everything is best understood by its constitutive causes. For as in a watch, or some such small engine, the matter, figure, and motion of the wheels cannot well be known, except it be taken in sunder, and viewed in parts; so to make a more curious search into the rights of states, and duties of subjects, it is necessary, (I say not to take them in sunder, but yet that) they be so considered, as if they were dissolved, that is, that we rightly understand what the quality of human nature is, in what matters it is, in what not, fit to make up a civil government, and how men must be agreed amongst themselves, that intend to grow up into a well-grounded state.[3]

The resolutive-compositive method is undertaken in thought only, particularly as one analyzes the rudiments of society. This, of course, suggests the necessity for developing clear and, if possible, infallible rules of thought. It is this necessity which gives such poignancy to Hobbes's interest in geometry. While the materials to be studied dictated the use of the resolutive-compositive method, Hobbes's insistence upon syllogistic certainty dictated the use of geometric principles of reason.

It is interesting to note that Hobbes understood geometry to be a deductive system of thought but not a purely formal, abstract one.[4] It will be recalled that he located geometry on his table of the classification of sciences in the division of natural philosophy under the subclass "consequences from quantity, and motion determined: by figure" (chap. 9, p. 149). That is, Hobbes understood Euclidean geometry to be nothing less than the demonstration of the resolutive-compositive method applied to existent shapes. If I am not mistaken, the more orthodox view holds (at least today) that geometry *is* a purely abstract system of deductions from a set of postulates.

The use and end of the resolutive half of the method is to render apt definitions which may serve as first principles in any of the particular sciences.

> Reason [which compounded is science] is not as Sense and Memory,

> born with us; nor begotten by experience only; as Prudence is; but Attayned by Industry; first, in the apt imposing of Names; and secondly by getting a good and orderly Method in proceeding from the elements, which are names, to Assertions made by connexion of one of them to another; and so to Syllogisms, which are the Connexions of one assertion to another, till we come to a knowledge of all the consequences of names appertaining to the subject in hand; and that it is, men call *science*. [Chap. 5, p. 115]
>
> *Science* is the knowledge of Consequences, and dependence of one fact upon another. [Ibid.]
>
> . . . When the Discourse is put into Speech, and begins with the Definitions of Words, and proceeds by Connexion of the same into generall Affirmations, and of these again into Syllogisms; the End or last summe is called the Conclusion; and the thought of the mind by it signified, is that conditional knowledge, or knowledge of the consequences of words, which is commonly called *Science*. [Chap. 6, p. 131]

Accordingly, science is that activity which proceeds from apt definitions and moves by successive calculations to indisputable sums or remainders. The definitions are best derived by the resolution of complex wholes (or events) into their simplest conceivable elements. The compositive, or demonstrative, task of science is undertaken by a strict adherence to logical relations between the elements. The model science is geometry; the method of demonstration is deductive logic. Prudence, on the other hand, is derived from reflection upon experience. The model is history (we might even say Thucydidean history); the method of demonstration is inductive reasoning.

There seems to be no dependence of a logical kind (i.e., deductive) between the theory of pre-civil man and the character of sovereignty in *Leviathan*. I do not contend that the discussion of man and his insecure condition outside civil society is incorrect. I make no statement in this regard. Nor do I contend that this discussion is irrelevant to Hobbes's purpose. Rather, it seems to me dispensable in terms of his theory of sovereignty. This is not to gainsay the symmetry that the discussion of man gives to *Leviathan*, which may be of greater value than Hobbes's faithfulness to the canons of deductive science. Moreover, the discussion of man, specifically the treatment of man's capacity to apprehend the laws of nature through natural reason, is intimately connected to the theory of obligation, which would be groundless without it. But in turn the theory of obligation may be, and is, subject to diverse interpretations without changing the theory of sovereignty in *Leviathan*.[5] The theory of sovereignty stands alone (save for its connection with the idea of contract); it is self-sufficient and does not

require for the reader's agreement prior acceptance of Hobbes's state of nature nor his theory(ies) of obligation.

II

We may treat the state of nature briefly. Men are placed by their will to predominate in deadly opposition to one another; no one can predominate without threatening others. But those who stand above their competitors are also threatened, for their predominance makes them enviable and insecure. It happens, then, that men feel threatened not only because it is their nature to compete for predominance but additionally because no one can rest certain with the presumption that what he has, he will keep; nor what he wants, he will continue to command the means to acquire.

Men are afforded an escape from this unhappy condition by the institution of civil society. Now the purpose of civil society is not to promote a good life as such nor to guarantee the predominance of a few, though as a consequence of the institution of civil society, given forms of predominance are made secure and righteous by law. Civil society is instituted by men to remove the fear which necessarily accompanies their existence in the state of nature. Its fruits are not to be confused with the impetus for its generation—which is fear, not goodness.

In civil society, relations between men are rendered secure because there is evident to all a clear locus of sovereignty, i.e., overwhelming power, which resides in the person of a monarch or assembly of persons. The security which derives from the institution of a commonwealth does not consist in a disarmed, impotent citizenry. The subjects are not really made harmless to one another. Quite the contrary, there will be present in the commonwealth great inequalities, including an inequality in the capacity of subjects to harm one another. This point aside, the power of every subject in Hobbes's commonwealth, or the power of every group of subjects, must seem puny and insignificant in comparison to that of the sovereign. The sovereign authority must be strong enough to deter the ambition of the strong who would plunder the weak, as well as the weak who would seek to despoil the powerful. In short, there must be unmistakable inequality of strength, according to Hobbes, between subjects and the sovereign, whatever the condition of subjects one to another. It is not, by the way, a proper criticism of Hobbes's view of sovereignty to argue that he overstated the role of coercion in giving life and permanence to the commonwealth. Hobbes was aware that the strength of the sovereign is in good measure derivative of the more or less freely given allegiance of the subjects. He was not, in other words, oblivious to the contemporary concern for "consensus" as a feature of civil life (chap. 18, p. 238; chap. 19, pp. 241–42). What is missing from Hobbes's treatment of sovereignty is the view that fear may be dispensed with once habits of citizen virtue are sufficiently inculcated.

The above, in brief, is the connection between the condition of men in the state of nature and the theory of sovereignty in *Leviathan*. Does the premise, the state of nature, lead by logical necessity to the conclusion, sovereignty? Or, what is a connected question, is there another form of commonwealth (and sovereignty) which is consistent with Hobbes's view of pre-civil man? The answer seems to be yes. Hume apparently thought so when he stated that

> both these systems [referring to the Hobbesian and Lockean theories of sovereignty] of speculative principles are just, though not in the sense intended by the parties; *and* that both the schemes of practical consequences are prudent, though not in the extremes to which each party, in opposition to the other, has commonly endeavored to carry them.[6]

It is noteworthy that some recent scholars have argued that Locke constructed a different form of civil society upon foundations essentially similar to Hobbes's. Locke, they contend, was no less concerned with the "great inconveniences" of the natural condition than was Hobbes, though he sought to conceal the extent to which he began from similar propositions.[7]

Let us turn now to a more detailed answer to the above question, whether sovereignty is logically entailed in the treatment of the state of nature.

III

Though Hobbes's theory of sovereignty is not logically dependent upon arguments deduced from the discussion of man, it is nonetheless a correct one. "The Essence of the Commonwealth," Hobbes states,

> is One Person, of whose Acts a great Multitude, by mutuall Covenants one with another, have made themselves every one the Author, to the end he may use the strength and means of them all, as he shall think expedient, for their Peace and Common Defence.
>
> And he that carryeth this Person, is called Soveraigne, and said to have Soveraigne Power; and every one besides his Subject. [Chap. 18, p. 228]

It is most important to understand correctly what is meant in the above by the words *person, author,* and *covenant*, for they bear a precise and somewhat technical relationship to the theory of sovereignty in *Leviathan*. We will turn to a discussion of these terms shortly.

Let us single out two conflicting interpretations of Hobbes's theory of sovereignty. These two interpretations—one we may loosely call Tory, the other Whig—turn on differing answers to Hobbes's inquiry into the source or foundation of the sovereign's rights. The one view (Tory) states that the *rights* of sovereigns are not conditional in any sense whatsoever upon an original contract instituting the commonwealth. According to this interpretation, the *rights* of sovereigns are drawn exclusively from the nature of

sovereignty itself, that is, from the very meaning of the word. It is maintained that the concept of sovereignty alone determines the rights of sovereigns. Any contingent relationship of sovereign rights to an original contract would dissolve the concept into an absurdity. It is true, however, that the *existence* of the sovereign, the matter of rights aside, by institution or by acquisition is dependent upon a contract.

On several occasions, Hobbes speaks of the consistent and inconsistent use of names, the latter of which he calls absurdity. "When men make a name of two Names, whose significations are contradictory and inconsistent; as this name, an *incorporeal body*, or (which is all one) an *incorporeal substance*, and great number more," including *conditional* or *limited sovereignty*, they engage in absurdities (chap. 4, p. 108). However, it is important to note in criticism of Hobbes that absurdity concerning empirical things is not strictly equivalent to absurdity concerning concepts. One cannot, for example, take a ghost by the tail, not because such a thing is absurd, but because it is impossible. On the other hand, men have repeatedly designed and lived with systems of limited sovereignty, which under a system of two-valued logic designates an absurd *concept* but not necessarily an absurd *thing*. I'll grant that limited sovereignty is an absurd concept, but it is not impossible as taking a ghost by the tail is. Most Western democracies are so designed as to make it difficult or impossible to locate sovereignty. Where, for example, does it reside in the American democracy? There is nothing in the constitutional features of the American democracy which resembles Hobbes's view of sovereignty. Indeed, the framers of the American Constitution took it to be their great contribution to statecraft to have constructed a mixed regime which deliberately divided sovereignty. There were many occasions during the constitutional convention on which they observed that logical consistency must give way to the prudent reconciliation of opposed objectives.[8]

The second interpretation (Whig) states that the rights of sovereigns are conditional upon an original contract. According to this view, the rights of sovereigns are derived from a contract between subjects and owe their continuation to the abiding force of the contract.

Of the two interpretations, the first is the more consistent with Hobbes's intention, though the second is partially correct. Hobbes states clearly that sovereigns do not owe their power (or rights) to a contract.

> The opinion that any Monarch receiveth his Power by Covenant, that is to say on Condition, proceedeth from want of understanding this easie truth, that covenants being but words, and breath, have no force to oblige . . . but what it has from the public Sword; that is, from the untyed hands of that Man, or Assembly of men that hath the Sovereignty, and whose actions are avouched of them all, . . . [Chap. 18, p. 231]

If we examine the specific *rights* of sovereigns, it is clear that these belong to the sovereign authority by virtue of what is contained in the concept of sovereignty itself. For example, sovereigns cannot be deposed for any reason, for "that King [or sovereign assembly] whose power is limited, is not superior to him, or them that have the power to limit it; and he that is not superior, is not supreme; that is to say not soveraigne" (chap. 19, p. 246). Sovereigns are sole judges of what is necessary for the peace and defense of their subjects. Lacking this right, the sovereign must again defer to those who retain it (chap. 18, p. 234). Sovereigns are judges as well of what doctrines and opinions may go abroad among the people—the reasoning here is the same as that above. It applies as well to the remaining rights of sovereigns—the right to the making of rules whereby subjects will live, the right of judicature, of making war and peace, of choosing ministers, of rewarding and punishing subjects, etc. In plain, sovereignty cannot be divided. As Samuel Johnson said, "In sovereignty there are no gradations."[9]

> This great Authority being Indivisible, and inseparably annexed to the Sovereignty, there is little ground for the opinion of them, that say of Sovereign Kings, though they be *singulis majores*, of greater Power than every one of their Subjects, yet they be *Universis minores*, of less power than them all together. For if by *all together*, they mean not the collective body as one person, then *all together*, and *everyone*, signifie the same; and the speech is absurd. But if by *all together*, they understand them as one person (which person the Sovereign bears) then the power of all together, is the same with the Sovereign's power; and so again the speech is absurd. . . . [chap. 18, p. 237]

The contention that sovereignty cannot be divided is not uttered as a prudential one; it is logically entailed in the meaning of sovereignty itself. Nor is the statement to be taken as a denial of any other form of sovereignty but monarchy. That sovereignty is indivisible refers, not to the number of individuals who may bear the sovereign person, but to the realization that sovereignty cannot be anything but absolute, final. Sovereignty signifies an authority beyond which there is no appeal; in this sense it is and must be absolute. It should be clear now why there can be no argument with Hobbes on the character of sovereignty. Either it is unitary and absolute, or it is not at all. Sovereigns are limited only by themselves; but authority which is empowered to restrain itself is by this power enabled to free itself of its restraints. Is it argued that sovereignty may be divided such that no single person or group however large retains final authority, then, according to Hobbes's accounting, the society is not a civil one, but a collection of men who are related to one another as enemies at war, actually or potentially (chaps. 18, 19, passim).

What of the second interpretation concerning the rights of sovereigns? Do

these rights derive from, are they dependent upon, an original contract? Are we to suppose that an original contract not merely institutes a sovereign authority among a multitude of men but also designates what rights the sovereign authority is to hold? Hobbes speaks at several points as if the rights of sovereigns were conditional upon a contract:

> Every one, as well he that *Votes for it*, as he that *Voted against it*, shall *Authorise* all the actions and Judgements, of that Man, or Assembly of men, in the same manner, as if they were his own, to the end, to live peaceably amongst themselves, and be protected against other men. [Chap. 18, p. 229]
>
> But by this Institution of a Common-wealth, every particular man is Author of all the Soveraigne doth; and consequently he that complaineth of injury from his Soveraigne, complaineth of that whereof he himself is Author. [Ibid., p. 232]
>
> No man that hath Soveraigne power can justly be put to death, or otherwise in any manner by his Subjects punished. For seeing every Subject is Author of the actions of his Soveraigne; he punisheth another, for the actions committed by Himselfe. [Ibid.]

Earlier Hobbes states what he means by the term *Author*: "Of Persons Artificiall, some have their words and actions *Owned* by those whom they represent. And then the Person is the *Actor*; and he that owneth his words and actions, is the *Author*: in which case the Actor acteth by Authority . . . . and *done by Authority*, done by Commission, or licence from him whose right it is" (chap. 16, p. 218). Now it would seem that if subjects own and authorize all the actions of the sovereign, they can by contract own and authorize only a specified set of actions or rights of sovereignty. Hobbes defines a contract as a "mutuall transfering of Right" (chap. 14, p. 192). Why, then, cannot certain rights be transferred while others be retained? If it were not sovereign authority which was being instituted, such a contract would be possible. Because of the character of sovereign authority, however, a contract can only call it into existence; it cannot institute a limited form of sovereignty. Why? Because such a contract would be an absurdity and therefore void. The *character* or *nature* of sovereignty can never be at issue between parties to the social contract, for a contract establishing anything but an absolute sovereign is an absurdity and need not be honored by the sovereign or his subjects. For example, if subjects were to contract for a sovereign who would hold all rights and powers, except the right to name his successor, the sovereign and his subjects are not obliged to honor the contract, for it does something other than what it claims to do; namely, it establishes a minister with limited, albeit broad, powers, yet it falsely declares him to be sovereign while the contracting powers retain rights in themselves.[10]

A collection of persons may well contract for the following: that a minister

shall be instituted who shall hold all rights and powers but one, the right to name his successor, which the people shall retain to be exercised at their will. This is a valid contract, *ceterus paribus*, for it is fully consistent with the concept of sovereignty. It is in fact a contract for a popular sovereign.

In sum, it is correct to say that sovereign authority owes its *existence* to a contract, but it cannot be instituted by degrees—it must be established in whole measure, all at once, or not at all.

If the *rights* of sovereigns are derived not from a contract but from the definition of sovereignty itself, then a contract instituting sovereignty is meaningful only in this respect: it declares of these men collected that they are no longer a multitude without form; they are now a corporate person, and it falls upon their person the right to make all decisions, to undertake any desired activity, to deal with itself in any way that it chooses. The right of this person to do these things is expressed as its sovereign authority, and the *bearer* of their person (the one or assembly designated by the rest to act in its name and by its authority) shall be their sovereign.

"A *Person*," Hobbes writes, "is he whose words or actions are considered, either as his own, or as representing the words or actions of an other man, or of any other thing to whom they are attributed, whether Truly of by Fiction" (chap. 16, p. 217). To personate is to represent. And it is important to note that individuals may personate or represent themselves. This is precisely what is involved in the term *popular sovereignty*, or the sovereignty of all together. In this case a multitude of men choose to represent themselves. Of course, Hobbes allows no distinction in the rights or character of sovereign authority though it be born by one man, a few, or all men together.

We may conclude that Hobbes's theory of sovereignty is scientific in the following sense: the rights of sovereigns are logically derived from the definition of sovereignty; the existence of sovereignty is derived from a contract. If the contracting parties decide among themselves, or behave as if they had made a decision, to institute sovereignty, then the only consistent and valid way of proceeding is to establish a sovereign which is absolute and indivisible. But all of this begs a question which in Hobbes's formulation of the word can only be answered prudentially, that is, from experience. Why establish sovereignty at all? Why not some other alternative? Assuming that the arguments concerning man in the state of nature are correct, is sovereignty the only political alternative available? The answer is no; and history, which for Hobbes is the ultimate source for prudential understanding, gives numerous examples, such as our own, in which a non-Hobbesian "sovereign" was chosen on the basis of Hobbesian theories of man.[11] Herein marks a failure by Hobbes to do what he set out to do. Science for Hobbes proceeds by demonstration from principles; it is deductive, and Hobbes's rights of sovereignty are deduced from the definition of sovereignty. So far so good. But the *necessity* for sovereign authority is not

logically entailed in the discussion of the state of nature as the rights of sovereignty are logically entailed in its definition. In fact, sovereignty can only be inductively derived from the treatment of the state of nature. The logic of the geometrician gives way to the logic of the historian; science concedes to prudence.

IV

This brings us to a consideration in the theory of sovereignty which in some ways is the most interesting. The definition of sovereignty, from which are deduced the rights of sovereigns, is not altered by, nor does it alter, any choice concerning the *locus*, or bearer, of sovereignty.

> When the Representative [sovereign] is One man, then is the Common-wealth a Monarch: when an Assembly of All that will come together, then it is a Democracy, or Popular Common-wealth; when an Assembly of a Part onely, then it is called an Aristocracy. Other kind of Common-wealths there can be none; for either One, or More, or All must have the Soveraigne Power (which I have shewn to be indivisible) entire. [Chap. 19, p. 239]

The *locus* of sovereignty is a question separate from the *rights* of sovereigns—the first may vary; the second is always the same. "The difference between these three kindes of Common-wealth," Hobbes writes in referring to the three loci of sovereignty, "consisteth not in the difference of Power; but in the difference of Convenience, or Aptitude to produce the Peace, and Security of the people; for which end they were instituted" (chap. 19, p. 241). In other words, the question of the *locus* of sovereignty is a prudential one, while an inquiry into the rights or character of sovereigns is a scientific one.

We may note some interesting implications of the distinction between the locus and the rights of sovereignty.

First, the existence and the locus, but not the rights, of sovereignty have their source in a contract. This means that Hobbes is only formally correct when he argues in chapter 18 that subjects can never replace the sovereign. As *subjects* they cannot, but when subjects are also together the bearer of sovereignty, as in a democracy, then they may change their sovereign, themselves, once. They may give it to another. It is also clear that the lengthy discussions Hobbes gives to the freedom sovereigns enjoy from interference by their subjects, is rendered nugatory when sovereignty is democratic. Indeed, the rather harsh appearance Hobbes gives to his theory of sovereignty (due in large part to his emphasis on monarchical sovereignty) is softened by the implications of popular sovereignty.

Second, the character of sovereignty, being always the same, can never legitimately be subject to dispute; however, the locus of sovereignty, being

conditional upon a contract, or upon a political tradition within which the contract is said to reside, can be a subject of dispute. In fact, is not the question of the locus of sovereignty, who should rule, the more compelling one? We must note that Hobbes's relative disinterest in the question of who should rule marks a revolutionary change in the direction of political theory. To his day, this had been the primary question for political theory. An indication of the secondary status Hobbes gives to the question is found in his treatment of the forms of government. His theory of sovereignty permits the distinction between forms of government only on the basis of the number who rule. Accordingly, rule by one is monarchy; by a few, aristocracy; by many, democracy. The classical division of three true forms and three corrupt—tyranny, oligarchy, democracy—has no place in Hobbes's classification because he denies any rational basis for making the distinction. Either a government keeps peace and is therefore true, or it does not and is therefore no government at all (chap. 21, p. 272).

When the political tradition of a society, which is tantamount to Hobbes's contract, becomes a matter of dispute, then the locus of sovereignty may also become unclear—and this without violence to the rights of sovereigns. For example, the controversy between the American colonies and England preceding the Revolution involved not only a dispute over the rights of the sovereign, centering on the extent of the power to tax, but also a challenge to the locus of sovereignty; that is, the colonies claimed that they held sovereignty in matters of strictly intercolonial concern.

V

Hobbes's rejection of the classical distinction between true and corrupt regimes would seem to follow from his insistence upon peace and not, for example, justice as the proper and chief aim of civil society.[12] Further, his argument of the equality of all men, stemming from the equal ability of each to harm one another and the great similitude of the passions among men, precludes the possibility of the natural ruler, the great-souled man, because, having entirely different passions, such a man would lack the incentive to harm others.[13] As peace is the true end of civil society, any sovereign who confers it fulfills the purpose for which sovereignty was instituted. Consequently, if the sovereign is serving this function there is no basis in Hobbes's philosophy for distinguishing monarchy from tyranny or aristocracy from oligarchy except on the grounds that some "mislike" them while others approve.

But it is precisely in view of Hobbes's failure to appreciate the passion for justice—the passion to see things in their proper, natural, order; however misguided and self-interested this passion often is—that he treated the question of who should rule, the locus of sovereignty, as a secondary and merely prudential consideration. The locus of sovereignty could not for him

be a scientific question because the passion for justice was not understood by him to be natural. Moreover, as no class in society, neither the one, the few, nor the many, could assert a claim to rule which is rooted in nature, none could prove the justice of its assertions and claims. Hence, the question of locus, which is primary in the classical tradition, is reduced to a matter of convenience and efficiency. But so long as men seek more than peace, so long as they seek justice, however confusedly, the question of who should rule, as the correlate of that search, will compel more attention than the question of sovereign rights. More than this, when it is observed that the one, the few, and the many can each assert a just but partial claim to rule, the very wisdom of an absolute, unitary sovereign is dispelled.

The tally, then, is as follows:

nature of sovereignty: deductive, scientific;
locus of sovereignty: inductive, prudential;
necessity of sovereignty: inductive, prudential;
maintenance of sovereignty: inductive, prudential.

If the locus of sovereignty is a more compelling question than the character of sovereignty, then a study of politics which is based upon science alone would be a limited thing—this because the questions such a science could answer would be limited. If it is to what Hobbes calls prudence that one must turn for a guide to sound political construction and maintenance—for example, concerning the locus of sovereignty—then Hobbes's work reduces itself to a concern which was central to the tradition which he sought to supplant, namely, the concern for the best form of regime and the means most appropriate to bringing it about.

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1. Hobbes, *Leviathan*, ed. with an introduction by C. B. Macpherson (Baltimore, 1968), pp. 226–27. All page references in the text are to this edition of *Leviathan*.

2. Hobbes admitted that he could not demonstrate the assertion that all men share the same passions, desire, fear, hope, etc., but believed nonetheless that disinterested introspection would furnish sufficient proof of his argument. *Leviathan*, "The Introduction," pp. 82–83; chap. 13, pp. 186–87.

3. *De Cive*, ed. Sir William Molesworth (London, 1839), 2: xiv. The Molesworth edition is hereafter cited as *E.W.*, abbreviated from *English Works*, with appropriate volume number following.

4. *De Corpore* (*E.W.*, 1: 176).

5. See A. E. Taylor, "The Ethical Doctrine of Hobbes," reprinted in *Hobbes Studies*, ed. K. D. Brown (Cambridge, 1965); Howard Warrender, *The Political Philosophy of Hobbes: His Theory of Obligation* (Oxford, 1957); Brian Barry, "Warrender and His Critics," in *Hobbes and Rousseau*, ed. M. Cranston and R. S. Peters (New York, 1972); F. C. Hood, *The Divine*

Politics of Thomas Hobbes (Oxford, 1964). The debate over Hobbes's theory of obligation is closely argued on all sides; so far as I know, however, none of the disputants has challenged the others' treatment of Hobbes's theory of sovereignty.

6. David Hume, "Of the Original Contract," *Political Essays* (Indianapolis, 1953), p. 43.

7. Leo Strauss, *Natural Right and History* (Chicago, 1953); Richard H. Cox, *Locke on War and Peace* (Oxford, 1960).

8. See Paul Eidelberg, *The Philosophy of the American Constitution* (New York, 1968), and, among others, *The Federalist*, nos. 9, 10, 51, 62, 63.

9. Quoted in A. J. Beitzinger, *A History of American Political Thought* (New York, 1972), p. 116.

10. See *Leviathan*, chap. 14, pp. 196–97, for a treatment of the conditions which render contracts null and void.

11. See Frank M. Coleman, "The Hobbesian Basis of American Constitutionalism" (Paper delivered at the annual meeting of the Northeastern Political Science Association, November 9, 1972).

12. It is interesting to compare Hobbes with the intention of the framers of the American Constitution. The Preamble to the Constitution lists the following as the purposes of union: justice, domestic tranquility, common defense, promotion of the general welfare, the blessings of liberty. Now each of these has a place in Hobbes's civil philosophy, but the primary end of civil society for Hobbes, namely, domestic tranquility, was understood by the authors of the Constitution to be only an instrumental and not the primary goal of union. See Madison's argument in *The Federalist*, nos. 10, 51.

13. Compare Aristotle, *The Politics*, 1283, secs. 13–20, Barker translation: "If there be one person so pre-eminently superior in goodness that there can be no comparison between the goodness and political capacity which he shows and what is shown by the rest, such a person can no longer be treated as part of the state. Being so greatly superior to others in goodness and political capacity, they will suffer injustice if they are treated as worthy only of an equal share; for a person of this order may very well be like a god among men."

VON MISES AND TIME-PREFERENCE

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IN HIS JUSTLY ACCLAIMED WORK *Human Action*, Professor Ludwig von Mises argued that time-preference (the higher ranking of an end attained sooner over the ranking of the *same* end attained later) is an a priori category of human action , deducible with certainty from the nature of action.[1] Such a strong claim deviated from the prior conceptions of Austrian economists, such as Eugen von Böhm-Bawerk, who sought the explanation of time-preference in empirical, primarily psychological (von Mises would say thymological), considerations.[2] And yet the Misesean thesis has seemingly been accepted as correct praxeological reasoning by the current generation of Austrian economists.[3] This paper reasons to a rejection of the Misesean time-preference view and calls for the necessary modifications of Austrian theory that this entails.[4]

What is Professor Mises's derivation of the categorical certainty of time-preference? Quoting from *Human Action*:

> Time-preference is a categorical requisite of human action. No mode of action can be thought of in which satisfaction within a nearer period of the future is not, other things being equal, preferred to that in a later period. The very act of gratifying a desire implies that gratification at the present instant is preferred to that at a later instant. He who consumes a nonperishable good instead of postponing consumption for an indefinite later moment thereby reveals a higher valuation of present satisfaction as compared with later satisfaction. If he were not to prefer satisfaction in a nearer period of the future to that in a remoter period, he would never consume and so satisfy wants. He would always accumulate, he would never consume and enjoy. He would not consume today, but he would not consume tomorrow either, as the morrow would confront him with the same alternatives.[5]

Two problems prevent the above from logically achieving the desired conclusion, one of them fundamental. I discuss the nonfundamental one first.

Even granting that "he who consumes a nonperishable good instead of postponing consumption for an indefinite later moment thereby reveals a higher valuation of present satisfaction as compared with later satisfaction," this reasoning says nothing with certainty about time-preference with respect to perishable items. Why might this distinction matter? Because perishability entails a future offering a decisively different set of alternatives to the

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actor, a condition incompatible with the "other things being equal" clause of Mises's proof. If the power in a house is turned off for two days, is the increased intake of perishable foodstuffs from a nonfunctioning refrigerator really to be interpreted as a preference for present consumption over future consumption? Or is it rather that the homeowners would really have preferred to wait and consume at a later date, but that circumstances prevented that option? In which case, perhaps the nonimmediate consumption of such perishable items when a functioning refrigeration unit *is* present should be interpreted, in part, as a preference of later consumption over earlier consumption—a negative time-preference.

There is a correlated problem here that I have not seen discussed in Austrian literature; for Austrians, action demonstrates a preference in the actor's value hierarchy, indicating a higher ranking of the end the action seeks to attain than the rankings of any alternative ends the actor could have sought. The Austrians make clear, of course, that action in this sense need not be *physically* active; the continuation of what you are doing when you could instead do something else, the mere zombie-like sitting and watching the flow of events past you—these are, on this view, equally actions with the more strenuous activities usually connoted by the term. With this in mind, consider a man with, say, four alternatives to choose from: he can watch TV, play poker, go for a walk, or sit aimlessly staring into space. Further assume that he ranks not watching TV over watching TV, not playing poker over playing poker, and not going for a walk over going for a walk; so he sits aimlessly staring into space. Are we to conclude that he preferred this alternative? Perhaps (is it possible?) he's doing that by default, having *actively* (by demonstrated preference of *not* doing them) rejected his other alternatives. Perhaps, if you asked this man what he was doing, he would *not* say, "I'm staring aimlessly into space," but say instead, "Why isn't it obvious—I'm engaged in the act of not watching TV, not playing poker, and not going for a walk."

The problem lies in the ambiguity of the meaning of action. To act means to attempt to achieve a state of affairs that one values over the state of affairs that would occur had one not made the attempt. The ambiguity is in the state of affairs valued less, the one that would have occurred had the actor not so acted. Is this the state of affairs that would have occurred had the actor been comatose, or been transfixed like a statue for a period of time, or not existed, or simply acted another way? The problem is that, in real life, the actor has to be "doing" *something* at all times (certainly at all conscious moments). So in observing someone else, we must question whether what he is doing is an action demonstrating preference or the result of a (different) action of demonstrating the preference of *not* doing (not-doing) anything else (within the possible alternatives open to him). In other words, it might be advisable when considering the alternative actions an actor did not choose, to distinguish between actions he wanted to pursue, but not as much as the one he

actually did pursue, and actions he *actively did not want* to pursue. If this distinction is made, an action may demonstrate, not one, but many preferences. Given alternatives W, X, Y, Z, doing X may not only show a preference of X but may also show a preference of not-W or not-Z. This obviously relates to the question of time-preference: when a consumer good is not consumed immediately, this may be because the actor wants to consume it but wants to perform some other action even more, *or* because the actor actively wants not to consume that particular good at this particular instant. This latter possibility is, of course, negative time-preference, and the mere existence of this possibility precludes the apodicticness of Mises's proof. Does anyone really believe that the best explanation of a sailor, stranded on a desert island hopefully awaiting rescue, not immediately drinking his one remaining ounce of water is not a negative time-preference?

Returning to the refrigerator case, note that it is not answerable in the same way as the case of the man who drives his mother-in-law to the bus station even though he would (he says) have preferred not to. The Austrian response to the mother-in-law man is that he has demonstrated his *actual* preference through his action in the face of alternatives. Put another way, the Austrians would say that if you asked the man why, if he "really" preferred not driving his mother-in-law to the bus station, he drove her anyway, he would respond with reasons (e.g., to keep peace with the wife, to avoid argument, to remain in the mother-in-law's will, etc.) which make it obvious that *all things considered*, he really did prefer to take the mother-in-law to the bus station. What he may have preferred even more—namely, *not* taking her and still (somehow) avoiding all the bad consequences of not taking her—was not an alternative open to him, and so, the Austrians conclude, his action does indicate his preference of the act taken over his available alternatives.[6]

This demonstrated-preference argument does not help with the refrigerator case. What if, while stuffing himself with food that would otherwise spoil, the man whose refrigerator was not working said he would have *preferred* waiting until later to consume this food? Does his action actually demonstrate otherwise? If *this* man were asked why he was consuming at present when he preferred to consume later, he would *not* give reasons why his actual course of action was, all things considered, preferable, but would instead give reasons why his preferred course of action was impossible (because my refrigerator was on the fritz and this stuff would spoil soon). Thus, even though the man's action demonstrates the preference of eating the perishables over letting them spoil, it does not demonstrate the preference of eating now over eating later because eating later is *not* a possible alternative. So here the action taken does not preclude the possible truth of the asserted preference. The negative time-preference indicated is here a counterfactual preference and so not demonstrable, but it may still be a preference, for all that, and stand as a counterexample to the Misesean thesis.[7]

Another Austrian response to any alleged counterexample to the Misesean

time-preference doctrine is to question the alleged goods' equality of what is being compared. Consider a typical counterexample eligible for this response: during the winter, a man prefers not consuming an ice block during the present but instead saves it for consumption at a later date, say the following summer.[8] Is this an example of negative time-preference? No, say the Austrians; for negative time-preference to be shown, it would have to be the case that good A consumed at a later date is preferred to good A consumed at an earlier date. The *same* good, of course, needs to be compared; showing that good A consumed later is valued over good B consumed earlier tells us nothing of time-preference. And goods are shown to be the same, not by indicating unchanged physical characteristics, but by showing that they are ranked equally by the actor. It is the subjective use-value and not the physical characteristics that must be considered. And ice-in-the-summer has different (more valued) uses from ice-in-the-winter. So they are not the same good; nothing has been shown about time-preference.

Two dangers of this response must be considered. First, if the *only* justification for regarding as different two units of what appear to be the same good is that the actor values obtaining the one later over the other earlier (which would imply negative time-preference if they were the same good), this argument becomes question-begging. If, in the summer of 1977, our actor chooses not to consume his ice block but instead chooses to wait and consume it in the *summer* of 1978, are we to conclude that 1978 summer ice is valued over 1977 summer ice? For what reason, other than the fact that 1978 is later than 1977? How are their subjective use-values different when we abstract away the time factor? We must neglect the time factor and explain the difference in some other way if we are to justify time-preference and not merely assert time-preference to justify the different-goods claim.

The second danger of this response is that it has a tendency to misconstrue the problem of time-preference. In studying economics, Austrians are not engaged in superficial analysis—they seek to understand, not merely describe, economic phenomena. It would be wrong, therefore, to interpret the Misesean stand on time-preference as the following challenge: We find the variables affecting man's action so manifold that we can hold one of them—time-preference—constant and still explain all valuation phenomena. Winter ice is valued over summer ice in winter—that's time-preference; summer ice is valued over winter ice in winter—that's evidence that summer ice is a higher-valued good than winter ice; summer ice is valued over winter ice in summer—that's time-preference; winter ice is valued over summer ice in summer—that's speculation on the future demand and supply schedules for winter ice. If we were merely attempting to devise an action schema whereby any action could be guaranteed possible description (A acted X; therefore A acted as if Y), such responses would be adequate; but Austrians seek to understand reality—they seek to understand the causal relations which underlie real people's interacting and from which arise

economic phenomena.[9] And a search for causal phenomena cannot be satisfied with *as if*s. The question we seek to answer is, Are some actions attributable to negative time-preferences, or are only positive time-preferences predicable of man? In which case, the question to ask of any profferred example is not, Can this be explained without the necessity of positing negative time-preference? but, Is negative time-preference an acceptable explanation? For we do not claim that negative time-preference is the *only* possible explanation, but only that it *is* a possible explanation. This mere possibility forces the rejection of the Misesean thesis.

But what if there were some way to reconstruct the problem of time-preference with respect to perishable items so that my objections no longer held or were shown fallacious? Or what if the Austrians are swayed by my critique and adopt a modified time-preference doctrine positing apodictic certainty only in relation to nonperishables? This would still not suffice, for there remains the more fundamental objection that, strictly as a matter of logic, Mises's proof is deficient.

I now turn to this more fundamental objection to Mises's proof. Why does he say, "If he were not to prefer satisfaction in a nearer period of the future to that in a remoter period, he would never consume. . . . He would not consume today, but he would not consume tomorrow either, as the morrow would confront him with the same alternatives"?[10] This is a somewhat confusing statement from a man who has also said, "Men react to the same stimuli in different ways, and the same man at different instants of time may react in ways different from his previous or later conduct."[11] (Consider, especially, that this latter statement comprises the grounds Mises offers for the methodological differences between the natural and praxeological sciences.) For Mises's *former* statement seems to imply that if a man has a negative time-preference at one particular moment, he will continue to have that negative time-preference in the future. In other words, he seems to assume a constancy for time-preference valuations that he had previously decried as an unrealistic assumption for value scales in general.

Let us call the assertion that there exist at least some men who, for some ends, at some times, prefer the attainment of the end sooner to later the *weak time-preference* doctrine; the corresponding assertion that all men at all times prefer the attainment of any end sooner to later is the *strong time-preference* doctrine.[12]

Mises's proof of time-preference is in the form of a reductio ad absurdum—a logical argument wherein the truth of a proposition is demonstrated by showing its negation to be contradictory. But the tale of men never consuming is a negation of *weak* time-preference, while Mises used the absurdity of this negation to conclude the soundness of the *strong* time-preference doctrine. This was an unwarranted leap; Mises's proof by itself can conclude with nothing more than weak time-preference.

Perhaps this point will become clearer if we analogize Mises's time-

preference doctrine in an attempt to create a space-preference doctrine. Following Mises, we could say: Space-preference is a categorical requisite of human action. No mode of action can be thought of in which satisfaction at a nearer position is not, other things being equal, preferred to that at a farther position. The very act of gratifying a desire implies that gratification at the present spot is preferred to that at a distant spot. He who consumes a nonperishable good instead of postponing consumption for an indefinite destination farther on thereby reveals a higher valuation of here-satisfaction as compared with there-satisfaction. If he were not to prefer satisfaction at a nearer spot to that at a remoter spot, he would never consume and so satisfy wants. He would not consume here, but he would not consume there either, as there (which for him is now here) would confront him with the same alternatives.

This novel approach to transportation costs, not without its insights, is clearly flawed. What is to prevent us from desiring to consume in St. Louis? While traveling there from San Francisco we have there-preference; once we reach St. Louis, we have here-preference. Similarly, what is to prevent us from desiring to consume on January 13, 1982? While "traveling" there from March 2, 1977, we have negative time-preference. Once we reach January 13, 1982, we have positive time-preference.

In addition to problems relating to the constancy of time-preference valuations one can also detect a holistic flaw in Mises's reasoning—he deals with time-preference instead of a set of time-preferences corresponding to the set of consumer goods available. He imagines a man never consuming anything because he has a negative time-preference for everything, and he fails to consider the possibility of an actor with negative time-preference for only some things. Consider: I never eat onions, even though they grow wild in my garden and are mine for the picking. How can this be understood? We might (reasonably) say I actively dislike onions, but Austrians seem to avoid considering disvalue of a consumer good, bringing the concept up only with reference to labor (perhaps on the argument that one never acts to attain that which is actively disvalued, and so, for the actor in question, this is *not* a consumer good, even though it is sold in the market to (other) consumers). If we accept the restriction of never disvaluing items of consumption, how do we explain my never consuming the onions? *Either* I always want to consume it *now*, whenever that is an alternative open to me, but (as the fates would have it) whenever it *is* an alternative, there is always *another* alternative action available now (not necessarily the same one at different nows) that I want to engage in even more (i.e., the onion consumption always ranks positive on my value-scale, but something else always ranks more positive); *or* I always want to consume it *later* (i.e., negative time-preference with respect to me and the onion).[13] There is no way to distinguish between these possibilities by observation of action, for each predicts the same action sequence (each predicts that I never eat onions).

Why does Mises categorically deny the second possibility? It is certainly reasonable and expected that a given actor at a given time will have *different* time-preference rankings for different items (I prefer one ounce of gold now to one ounce of gold later, and I prefer one dollar now to one dollar later, but I *more* prefer having the gold now to having a dollar now—i.e., I will choose one ounce of gold now and one dollar later to one dollar now and one ounce of gold later). Why can't some of these time-preferences for some of these goods be negative some of the time? Why can't they be negative all of the time for items I never consume? What does the subjectivity-of-value doctrine so intimately connected to the names of Mises, Menger, and the Austrian school[14] mean if not that a volitional actor can choose to arrange his value hierarchy so that at least for some times the value of a good consumed later ranks higher than the value of the same good consumed earlier?

Let us assume here that there are no ways to revise the Misesean proof so that it arrives at its desired destination and that there are no other sound arguments leading to strong time-preference; let us, indeed, assume the strong-time-preference doctrine is false. Can the vast economic edifice the Austrians have constructed on the foundation of that doctrine stand on the foundation of weak time-preference?

This is too broad a topic to be covered within the constraints of the present paper; I believe, however, that the substance of Austrian teachings can remain unmodified if based on a version of weak time-preference stating that *most* men, for *most* ends, at *most* times prefer the attainment of the end sooner to later. Call this real time-preference.

How can real time-preference be justified? The Misesean proof justifies weak time-preference but does not allow us to quantify the *somes* to *mosts*. Real time-preference could be accepted as a fundamental empirical assumption, justified by observation, similar to the assumption of the existence of a variety of human and natural resources, or the assumption of leisure as a consumers' good.[15] Economics, in general, could deal with a world in which weak time-preference held in only its weakest sense—where each individual consumed only enough to survive, all reveling in the joy of postponing consumption—just as it could deal with worlds in which people work until they drop, leisure not being a consumer good; or in which all natural and human resources are homogeneous. Economics, practically, does not deal with such a world, however, for the empirical observation of real time-preference tells us such an analysis would be a waste of time and would not explain acting man as we know him.

Alternatively, we could seek to explain time-preference as following from a more fundamental postulate of man, this more fundamental postulate being an empirical observation such as those above.[16]

What observations about the world could lead us to accept the real-time-preference doctrine? One that may not come to mind is the observance of a positive interest rate. The reason this may not come to mind is that it appears

to be circular—time-preferece explains a positive interest rate, and a positive interest rate explains time-preference. I do not claim, however, that a positive interest rate *explains* time-preference, but only that it *counts as evidence* of time-preference, and this leads to no circularity, especially if there is other evidence of time-preference as well.[17]

One piece of such evidence is the observation that land does not sell at an infinite price, even though this would be the sum of its marginal-value products over the life of the factor, which in the case of land is infinite.[18] This can be understood as land selling, not at the sum of its MVP, but at the sum of its *discounted* MVP, with the discounting implying positive time-preference.[19] Though this argument only indicates time-preference with respect to land, the inability to enumerate relevant distinctions between people's time-preference for this factor and their time-preferences for other factors or consumer goods would allow the extension of the presumption of time-preference over all goods and services in the market, if not, perhaps, to all ends aimed at.

If the goal of praxeology—and especially of its thus far best-developed part, economics—is the logical development of the implications of the existence of human action, then it is crucial to know exactly where, how, and whether any auxilliary propositions were asserted and to know, as well, the classification of these propositions—deducible from prior considerations or generalizations from the observations of actual action; a priori or empirical. This knowledge is crucial from the viewpoint both of understanding and of explanation. This knowledge is crucial from the viewpoint of truth. If a defense of time-preference as an empirical generalization about men as we know them, and not a categorical truth derivable from the essence of action, goes against the actual teachings of Ludwig von Mises, we can only hope that it is in the spirit of supreme dedication to the search for truth that has long stood as the hallmark of that great man's teachings.

1. Ludwig von Mises, *Human Action*, 3d rev. ed. (Chicago: Henry Regnery, 1966), p. 484.

2. For the distinction between modern psychology and what Mises calls thymology, see his *Theory and History*, 2d ed. (New Rochelle, N.Y.: Arlington House, 1969), p. 264–71. Böhm-Bawerk's position is found in his *Capital and Interest*; more detailed references can be found through Mises, *Human Action*, p. 488. See also Mises's critique of Böhm-Bawerk reprinted in English in Percy Greaves, *Mises Made Easier* (New York: Free Market Books, 1974), p. 150–57.

3. Murray N. Rothbard, for example, claims that knowledge of time-preference is deducible from the nature of action, though his reasoning differs somewhat from Mises's. See his excellent *Man, Economy, and State* (Los Angeles: Nash Publishing, 1972), 1:13. For a critique of Rothbard's reasoning, see Robert Nozick, "On Austrian Methodology," *Synthese* 36 (1977): 378–79.

4. After this paper was conceived, I found out, through a personal communication from

Larry White, that deficiencies in Mises's a priori derivation of time-preference were discussed at the 1975 Austrian conference at the University of Hartford; in addition, I believe Nozick has made a criticism of Mises's view similar to my own in his "On Austrian Methodology" (the relevant page was missing from the copy of Nozick's paper, as yet unpublished, available to me at the time of this writing in early 1977).

Throughout this paper, the term *time-preference* appears, often modified with either of the adjectives *positive* or *negative*. It is a convention throughout this paper, in keeping with Austrian literature, that *time-preference*, if unmodified, should be interpreted to refer to *positive* time-preference.

5. See n. 1.

6. The relation between preference and action is considered further in Nozick, "On Austrian Methodology," pp. 369–78.

7. Is it meaningful to speak of preferences not exhibited in action? Mises warned of using the construct of a value hierarchy as a guide to action rather than as a tool to interpret action, claiming that the only information we have about the value scales of others is the observation of actual human action (*Human Action*, p. 95). Nor can a series of observations of some man acting (choosing) allow us to construct a value hierarchy, since we would further have to presume a constancy of value preference, an assumption which is patently false.

Of course, someone, without choosing between them, could *tell* us that he prefers A to B. But he could by lying; all we know for sure is that he preferred telling us he preferred A to B, since that is how he acted. But to claim we can *never* know preference except through action is to claim that *everyone* who states these nonacted preferences must be lying, else we could know a preference without seeing the action-choice. (Or does it only mean that we can never *know* whether or not anyone stating such a preference is lying? Such strong skeptical presumptions should be argued for; is there no corresponding difficulty in knowing what a person's action is?) Furthermore, if a man is lying when he says he prefers A to B, then he must prefer B to A, which equally is a non-demonstrated-through-action preference. (This assumes, of course, that A and B cannot be equally preferable, an assumption Austrians continually make; the argument that the act of choosing one over the other demonstrates a preference of one over the other says nothing, it should be noted, about the possibility of equal preference of two goods no one of which is ever a possible alternative whenever the other is chosen. Of course, such niceties may be irrelevant if economics studies only the results of demonstrated preferences.)

Nozick, "On Austrian Methodology," pp. 372–76, submits the strong claim that preference is never demonstrated other than through action to a critical analysis. There is one point, however, that Nozick declined to comment on: if the Misesean contention is correct, then the Austrian analysis of government intervention is meaningless. The evil of government is not that it forces us to choose an action not highest-ranking on our value scale—indeed, if the Austrian notion of demonstrated preference holds, it is impossible to force a man to choose among his alternatives an end not most highly ranked; it is only possible to severely restrict his possible alternatives. The evil of government is that it restricts the sphere of acceptable alternatives so that the action highest-ranked among alternatives open to us need not correspond to the action that would have ranked highest in a free-market society. But for this to be a meaningful complaint, it must be possible to discuss preferences not demonstrable in action.

8. This is taken from Rothbard, *Man, Economy, and State*, 1: 436, n. 15.

9. Those ordered patterns in society not purposefully aimed at by any individual.

10. See n. 1.

11. Mises, *Theory and History*, p. 5.

12. Of course, by mixing quantifications on men, ends, and time, we can construct several

other—intermediate—time-preference doctrines, but these two will serve for now.

13. A combination of these possibilities is also possible.

14. Other names and other schools are also associated with the subjective-value doctrine. See Larry White's *Methodology of the Austrian School*, Center for Libertarian Studies Occasional Paper Series No. 1 (New York, 1977).

15. By the way, does this mean that for all men at all times leisure is a consumer good, or only for some men at some times leisure is a consumer good?

16. This is the route taken by Nozick, "On Austrian Methodology," pp. 380–84.

17. A similar distinction between "reason for believing" and "explanation of" was used by Nozick, ibid., p.389, n. 21, though not in the same context; and was helpful to Michael Gorr in his "Trivus on Economic Value," *Reason Papers*, No. 3 (Fall 1976), p. 87.

18. See Rothbard, *Man, Economy, and State*.

19. Is this the only explanation for the discounting? Maybe it's due to the uncertainty of the land really being useful for an infinite period of time.

Book Reviews

DEMOCRACY AND PHILOSOPHY

The four studies reported on below are united upon the proposition that the American republic is in jeopardy because the principles upon which it is based are in disorder. Each author is concerned with the moral-philosophical conditions of a healthy democracy, or, what is the equivalent in their perspective, the conditions of a virtuous democracy.

Though each book has a different focus, the overriding concern expressed in each is to provide the philosophical justification for self-restraint as the primary condition of a virtuous, stable democracy. They argue that the philosophy of natural rights that provides the framework for the Declaration of Independence and the Constitution of 1789 is sound though sadly ignored or repudiated in our day. The distempers to which democracies are susceptible are moderated, they contend, not by the addition of "more democracy" (to recall the injunction of Al Smith) but by such "auxiliary precautions" as Madison defended in *Federalist* 10. But Madison's institutional safeguards must in the end be undergirded by the principles that justify and make sense of them. This is the task that our authors set for themselves.

But this point raises a fundamental problem in the understanding of democracy, which will be developed later in this essay. For the moment let me anticipate that discussion with the following questions. Were Madison's "auxiliary precautions" meant to rest permanently upon the principles associated with the natural rights philosophy, or were they understood to be capable of standing on their own even after the original principles fell into dissuetude? Perhaps we may go further and ask if the institutions of government as established by the Constitution were not designed as they were *because* the original principles would inevitably be forgotten?

I

Of the four works, Professor Berns's *The First Amendment and the Future of American Democracy* (New York: Basic Books, 1976) is the most controversial, for it disputes the reigning opinions and case law on the First Amendment as these have developed over the past 50 years. In addressing the sources of self-restraint in the American democracy Berns contends that we have lost our way because we—especially the Supreme Court—have forgotten the answers to the key questions that confront a republican form of government.

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> Why is free speech good? The Court doesn't know. Was free speech intended to serve republican government and only republican government? The Court doesn't care what the original intention was. Is there a connection between decent public discourse and decent government? The Court doesn't even bother to wonder. Is there a connection between the privacy of sexual behavior and the family and, therefore, with republican government? For a period that may prove to be decisive, the Court did not even acknowledge the relevance of the question. Is there a connection between morality and republican government—or, in Tocqueville's formulation, can liberty govern without religious faith? Whatever the answer, the Constitution is now said to have built an impregnable wall between church and state. [P. 237]

According to Berns, what has been forgotten or misconstrued is the subtle relationship, as the Founders understood it, between religion and politics. Following a careful study of the debates in the First Congress and of the writings of Madison, Jefferson, Washington, and Tocqueville, Berns concludes that the First Amendment was understood to provide for the separation of church and state as a means for avoiding the divisive religious conflict that had so often disturbed prior political orders, including those of Puritan America. The First Amendment was not originally understood, however, to require the *indifference* of the government to all religion—the present interpretation of the Court. The separation clause was not intended to set up a wall of separation between church and state, but to prevent the state from establishing a national church and a national religious orthodoxy.

The Founders were not indifferent to religion and did not intend the new government to be indifferent to religious belief for a very plain reason: the health of a republican form of government is dependent upon belief in a God who troubles himself with the way people conduct their lives. A republican government promotes, to the extent necessary for assuring the self-restraint of its citizens, a belief in eternal reward or punishment for the acts one takes upon this earth. Berns finds in Washington's Farewell Address a representative statement of this point:

> Of all the dispositions and habits which lead to political prosperity, religion and morality are indispensable supports. In vain would that man claim the tribute of patriotism who should labor to subvert these great pillars of human happiness, these firmest props of the duties of men and citizens. The mere politician, equally with the pious man, ought to respect and to cherish them. A volume could not trace all their connections with private and public felicity. Let it simply be asked where is the security for property, for reputation, for life, if the sense of religious obligation desert the oaths, which are the instruments of investigation in courts of justice? And let us with caution indulge the supposition that morality can be maintained without religion. Whatever

> may be conceded to the influence of refined education on minds of peculiar structure, reason and experience both forbid us to expect that national morality can prevail in exclusion of religious principle. [P. 13]

As Professor Berns concludes, "Government cannot afford to be neutral 'between believers and nonbelievers'; good government depends on the existence of a certain kind of believer because there is, or was thought to be, a connection between religious belief and the moral character required to restrain the passions inimical to liberty" (pp. 14–15).

But if religious piety was understood to be a source of restraint upon the distempering passions of the people, the Founders were equally aware that it can also be a source of ruinous division among the citizens. The significance of this point constitutes what Berns calls "the religious problem." For the success of republican government the framers understood that it is necessary for religious orthodoxy to assume a wholly private character. As Jefferson argued in his *Notes on the State of Virginia*, the law should not entitle him to take injury when his neighbor affirms that there are twenty gods, or no God; "It neither picks my pocket nor breaks my leg." As Jefferson argued further in the *Notes*, it is salutary on political grounds that there be religious diversity because "several sects perform the office of a *census morum* over each other," a point reaffirmed by Madison in *Federalist* 51. Thus, there is a twofold teaching in the Founders' view of religion and its connection to the well-being of a republican form of government: the government must be neutral between the claims advanced by the "multiplicity of sects," but it must also be cautious against actions that would undermine the foundation of religious piety, because piety subserves the cause of liberty. As Berns, quoting Tocqueville, says, when "any religion has struck its roots deep into a democracy, beware that you do not disturb it; but watch it carefully, as the most precious bequest of aristocratic ages" (p. 34).

Berns's focus upon the Founders' understanding of religion highlights their concern that religion be directed to the needs of the civil order by its role in promoting the moral dispositions and habits upon which the civil order rests. None of this is to deny that they were genuinely concerned with the rights of conscience. The observations respecting the civil role of religion bring us to the second focus of Berns's argument: that the Declaration of Independence and the Constitution incorporate a *political* orthodoxy or creed, which is rooted in the philosophy of natural rights and which may be enforced as prudence dictates.

Against this argument he ranges the celebrated opinions of Justice Holmes. Dissenting in the *Abrams* case, Holmes observed that

> when men have realized that time has upset many fighting faiths, they may come to believe even more than they believe the very foundations of their own conduct that the ultimate good desired is better reached by free trade in ideas—that the best text of truth is the power of the thought

> to get itself accepted in the competition of the market; and that truth is the only ground upon which their wishes safely can be carried out. That, at any rate, is the theory of our Constitution. [Cited in Berns, p. 58]

The question raised by Berns's argument that the American political order is grounded upon a political creed, the elements of which Jefferson considered self-evident and which no one in a position to modify the Declaration of Independence troubled himself to deny, is whether the First Amendment may properly be construed to withhold protection to the speaker or the association that assaults this creed. Does the original understanding of the First Amendment confirm the liberatarian interpretation generally put upon it today? Berns says no. Reduced to its essentials, his argument in defense of a nonlibertarian understanding is this: as the Constitution, including its amendments, rests upon and elaborates a political creed—that is, the natural rights philosophy as set out in the Declaration of Independence—conformity to the Constitution entails adherence not only to its enumerated clauses but to the philosophy beneath it. Thus, while groups that are dedicated to the overthrow or abolition of the Constitution (e.g., Marxist communists or Nazis) may be tolerated—should be tolerated—as long as they are weak, the tolerance is a matter of *privilege* under the First Amendment rather than *right*. (For a similar argument, see George Anastaplo's essay "Liberty and Equality" in *Human Being and Citizen*.)

Holmes asserted in the *Gitlow* case that "If, in the long run, the beliefs expressed in proletarian dictatorship are destined to be accepted by the dominant forces of the community the only meaning of free speech is that they should be given their chance and have their way (cited in Berns, p. 158). As Berns points out, Holmes could consistently hold to this interpretation of the First Amendment only if he maintained that there is no necessary connection between the freedoms of the First Amendment and the republican form of government as established in the Constitution proper (and explicitly guaranteed to the states in article 4, section 4). In other words, Holmes's argument conveys a charge that the First Amendment is inconsistent with the Constitution of which it is a part.

While Berns is concerned with recovering the original and proper understanding of the role of the First Amendment and of the rights it protects in the furtherance of republican government, Paul Eidelberg's *On the Silence of the Declaration of Independence* (Amherst: University of Massachusetts Press, 1976) is an attempt to explicate the unspoken assumptions that inform the natural rights philosophy of the Declaration of Independence. "The major purpose of this study, he says, "is to incorporate the underlying principles of the Declaration of Independence into a new philosophical framework that will enable thoughtful citizens and statesmen to use those

principles as criteria for analyzing and evaluating contemporary political thought and practice (pp. xiv–xv).

Eidelberg contends that the natural rights philosophy points in two directions simultaneously. Because it upholds the supremacy of reason over will, the philosophy of the Declaration does not justify the existence of rights on the strength of consent or agreement. On the other hand, because the Founders adhered to Locke's argument respecting equality ("there being nothing more evident, than that Creatures of the same species and rank promiscuously born to all the same advantages of Nature, and the use of the same faculties, should also be equal one amongst another without Subordination or Subjection," *Second Treatise of Government*, para. 4), they believed that government must be based upon consent and inferred that democracy was most likely to follow upon the principle of consent.

Professor Eidelberg's interpretation draws upon the classical distinction between nature and convention. Nature, he argues, determines the ends of human (i.e., social) existence, and these ends are contained in the very terms by which Eidelberg defines man: *homo rationalis et civilis*. But though the ends are self-evident and not subject to haggling (as is clear from the vigor of Jefferson's words), they are not self-effecting—which is to say, the Declaration is not as such an instrument of government. The determination of the means for effecting the ends of government as set out in the Declaration was left to the Articles of Confederation and later to the constitutional convention of 1787.

There is a further element of the double nature of the Declaration. While it implies democracy as a form of government, the philosophy of the Declaration rests upon an aristocratic view of man. The following will serve to illuminate Eidelberg's point. The signers of the Declaration in closing the document mutually pledged their lives, fortunes, and sacred honor in the furtherance of its purposes—not their reputations, but their sacred honor. The very term for Eidelberg is rooted in aristocratic values. Not their reputations did they pledge—reputation is a thing dependent upon the opinions of others—but their honor; and honor consists in holding to standards that are independent of the judgments of majorities, even should a majority accept the standards of honor at any given moment. Because the demands of honor are great, only a few will possess the strength to meet them. Thus the distinction between the few and the many. Because the Declaration professes equal right, it is undeniably a democratic statement; because the superintendence of rights falls to the few, the Declaration is an aristocratic statement as well.

The chapter entitled "The Declaration Applied: Relativism vs. Universalism" brings Eidelberg to the major concern of Berns's study, the rejection of moral relativism as a mode of thought historically and philosophically inconsistent with the nature of the American democracy and therefore dangerous to its well-being. According to Eidelberg, relativism reduced to

its logical consequences amounts to the principle that might makes right. This is the counsel of Thrasymachus. However,

> The Declaration silently yet eloquently affirms the power of reason to apprehend universal moral truths or standards by which to determine whether any form of government is just or unjust. Relativism denies this power of reason. It thereby denies any moral justification for the Revolution or indeed for any revolution. [P. 30]

The general discussion of relativism concludes with the following:

> At this point it must be made clear that the preceding discussion, as well as what is to follow, is not intended as a philosophical refutation of relativism. Relativism may or may not be true. But like Nietzsche, I believe I have shown that relativism is deadly. [P. 36]

The reference to Nietzsche is from his *Use and Abuse of History*. It is quite probable that among the lines Professor Eidelberg had in mind in referring to Nietzsche are these:

> The historical [i.e., historicist or relativist] training of our critics prevents their having an influence in the true sense—an influence on life and action. They put their blotting paper on the blackest writing, and their thick brushes over the most graceful designs; these they call "correction"—and that is all. Their critical pens never cease to fly, for they have lost power over them; they are driven by the pens instead of driving them. The weakness of modern personality comes out well in the measureless overflow of criticism, in the want of self-mastery, and in what the Romans called *impotentia*.[1]

Relativism may or may not be true, but it is deadly. Does Eidelberg mean to suggest that uncertainty over the philosophical status of relativism is among the silences of the Declaration? Perhaps its gravest?

George Anastaplo's *Human Being and Citizen* (Chicago: Swallow Press, 1975) and Harry Jaffa's *The Conditions of Freedom* (Baltimore: Johns Hopkins University Press, 1975) are each collections of essays written in the 1960s and '70s on a variety of topics. Thus, while their works address the theoretical foundations of democracy as do Berns's and Eidelberg's, theirs do so in a more discursive manner. Included among Anastaplo's essays are discussions of Plato's *Apology of Socrates* and *Crito*, natural right and American jurisprudence, the relationship between liberty and equality and between law and morality, as well as more topical pieces on obscenity, Quebec separatism, Vietnam, and the role of philosophy in solving problems of race in this country. The essays by Jaffa have been drawn together from a number of previous publications. For convenience they may be divided into discussion of people—Leo Strauss, Aristotle, Skakespeare's Lear, Jeffer-

son, Thoreau and Lincoln, Tom Sawyer—and principles—equality, federalism, freedom and slavery. Because Anastaplo's and Jaffa's essays encompass such a wide variety of topics,it is impossible here to do more than summarize the main points that emerge from the studies as a whole.

Each takes his bearings from Madison's understanding of the sources of instability in democratic regimes, and each fully accepts the need for what Madison called "republican remed[ies] for the diseases most incident to republican government" (*Federalist* 10). The American democracy is founded not only upon the equal natural right of all men and women but also, like all democracies, upon the passion for equality of condition or desert. Thus, American politics periodically erupts over the issue of wealth and how to redistribute it or the issue of political influence and how to redistribute it. In either case, it is greater equality in the material conditions of life that is sought.[2]

Several of the essays treat the harmful effects caused by our diminishing capacity for distinguishing liberty from license and virtue from comfortable self-preservation. See Anastaplo, "Law and Morality," "Liberty and Equality," "Obscenity and Common Sense"; Jaffa, "Amoral America and the Liberal Dilemma." Another way of stating our authors' concern is this: democracy is threatened by the ascendancy of will over reason as the arbiter of public policy, even as Thrasymachus asserted must be the case in any regime.

In sum, all four of our authors suggest that the greatest debility to which our political order is subject is a weakness for bad ideas. The above infirmities are really incidences of the waning of philosophy in the forward movement of democracy. Thus, the natural rights philosophy that lies at the origins of the American democracy is being hollowed out from the center by the effects of positivism and value relativism. It is increasingly difficult for citizens to believe anymore in the philosophical foundations of the American Republic because "the best and brightest" do not. Whereas democracy used to be considered the regime whose citizens believed in a great deal (most especially, the reality of natural right and natural justice), it is now held to be the regime whose citizens believe in nothing, or in nothing in particular. This is the basis for the characterization of democracy as mere method—and not a way of life, as the Founders thought. See Anastaplo, "Natural Right and the American Lawyer," "In Search of the Soulless Self," "Obscenity and Common Sense," and "Race, Law and Civilization"; and Jaffa, "Political Obligation and the American Political Tradition," "Reflections on Thoreau and Lincoln," and "What is Equality?"

It is interesting to observe that the positivist defense of democracy as the regime most suitable to a body of citizens without a public philosophy (democracy being pure method), bears a resemblance to Plato's characterization of democracy in book 8 of the *Republic*. For Plato, democracy was that regime which embodies, not *a* way of life, but *all* ways of life, a regime

whose members believe in everything or in nothing. Plato concluded, however, in profound disagreement with contemporary positivists, that this condition would generate anarchy, followed close on by tyranny.

II

It is enough to know that our authors are philosophers, or students of philosophy (as they would with modesty insist of themselves), to know that certain features of the American democracy as it has developed leave them apprehensive about its future. I am not engaging here in sniping. It is not being suggested that our authors are utopian ideologues in whom burns the lust for nothing less than the whole loaf. Anyone even vaguely aware of their other writings knows that they do not give themselves over to an excess of theory or aspiration.

Neither am I recalling the argument of Daniel Boorstin that the perpetuation of our political institutions depends less upon a coherent political philosophy than upon the pluralist tendencies of American politics. "The tendency to abstract the principles of political life," he said, "may sharpen issues for the political philosopher. It becomes idolatry when it provides statesmen or a people with a blueprint for their society. The characteristic tyrannies of our age—naziism, fascism, and communism—have expressed precisely this idolatry. They justify their outrages because their 'philosophies' require them."[3]

Rather, my point is this. There is an unavoidable tension between the philosopher and the democrat on the strength of which the two can never be reconciled. The basis of this tension is assignable, not to the real or imagined pretensions to wisdom among philosophers, but to the tendency among the man of democratic sentiments to reject as a matter of principle the very possibility of wisdom.[4] The democrat simply does not believe in Truth, whereas the philosopher is animated by the search for nothing else. It is useful here to recall the argument of Plato to see more clearly the antagonism between philosophy and democracy. Now it must be granted that Plato's characterization of democracy exaggerates (deliberately) the deficiencies of the democratic man. Nonetheless, his argument remains cogent.

The distinctive trait of the democratic man is that there is no principle in his soul on the basis of which he organizes his life.

> When he is told that some pleasures should be sought and valued as arising from desires of a higher order, others chastised and enslaved because the desires are base, he will shut the gates of the citadel against the messengers of truth, shaking his head and declaring that one appetite is as good as another and all must have their equal rights. So he spends his days indulging the pleasure of the moment, now intoxicated with wine and music, and then taking a spare diet and drinking nothing but water; one day in hard training, the next doing nothing at all, the

> third apparently immersed in study. Every now and then he takes a part in politics, leaping to his feet to say or do whatever comes into his head. Or he will set out to rival someone he admires, a soldier it may be, or, if the fancy takes him, a man of business. His life is subject to no order or restraint, and he has no wish to change an existence which he calls pleasant, free, and happy.

Philosophy, on the other hand, is understood by Plato to consist of the effort to establish the right order of the soul on the basis of principles that assign to each part its proper needs and refuses to each part those pursuits which ill serve it and the whole.

The democratic man as he is known to us today does not generally riot within himself, as Plato's drones. He is not licentious or disorderly. But he does share this similarity: he distrusts on principle the effort to establish a single human type as the highest example of human excellence. He does not necessarily reject the idea of excellence, but he does abhor the argument that excellence is singular. Above all, the man of democratic temperament bestows upon each and all the license to define excellence as it suits them. On the contrary, the man of philosophic aspiration can never truly accept the plurality of excellence, because to do so would constitute a denial of the special grace and majesty of philosophy. No philosopher can admit in the privacy of his study that philosophy is merely a taste that it pleases some to indulge and others to avoid.

Given the tension between philosophy and democracy, it seems inevitable that philosophy would wane with the forward movement of democracy. And this means that the understanding of natural right would wane as well. Professor Eidelberg begins his study with the following:

> The American people are celebrating the bicentennial of the Declaration of Independence; but are they in fact honoring the principles of that document, the principles of the American Revolution? Do they understand them? Do our Statesmen?
>
> Studies reveal that a shockingly large number of Americans do not even recognize the Declaration of Independence. Asked to comment on passages abstracted from the document, many express hostility to its fundamental principles, regarding them as subversive or suggestive of the teachings of Communism.

Professor Berns concludes his study with these words:

> Philosophic men of the past addressed themselves to these questions and provided answers. But the Supreme Court no longer remembers those answers. The Founders, in their different ways, also provided answers, but the Court no longer remembers their answers either. Instead, it has allowed itself to be carried about on the wind of modern doctrine.

Could we have expected otherwise? Did the framers expect otherwise? Was it not unavoidable that the principle of equal right would work to the practical effect of encouraging every man to suppose that his own ideas are as good as the next man's? And would this not have the same effect upon our rulers?

The philosophy of natural right cannot withstand the assaults upon it at the hands of positivism—not because positivism proves the case against it, but because democrats are, according to the very ideas which make them democrats, highly susceptible to the claims of positivism.The latter teaches that all moral-philosophical systems are equal because none can lay claim to the truth. And facts are simply facts. Let each make of them what he may. It is beyond proof to the positivist that the facts in themselves can endorse any system of thought: they do not; they cannot. Is this not a view very much at home in a democracy? for it advises men to be confident in the belief, not only that they are equal before the law, but that their ideas should be as well. Quite simply, positivism is native to the soil of democracy, and philosophy is not.

What this means is that we should expect a democracy to be afflicted by bad ideas—not occasionally, but most of the time. I think it plausible that a distrust of wisdom was understood by Madison and others to be among the "diseases most incident to republican government." If this is so, then it follows that philosophy in itself cannot provide an adequate basis for the self-restraint so necessary to the stability of democracy. And if philosophy cannot, what can?

With this question we return to Berns's argument respecting religion. But it may be countered that religious piety is as susceptible to the corrosive effects of positivism as is philosophy. Is there something else that may serve as an effective source of self-restraint? Perhaps the answer is to be found amidst the ideas that grew to dominance in the late 18th century, ideas associated in particular with Adam Smith and Montesquieu.

As argued in a recent essay by Prof. Ralph Lerner, a project was undertaken in the 18th century to wrest society from those of "aristocratical pretensions" whose ambition and pride posed an abiding threat to the stability of society. The efforts of Smith, Montesquieu, and such American counterparts as John Adams sought to assure the stability of the newly liberalizing societies of England and America on the basis of what Lerner calls "the tamed ambition of the new man of commerce."

> There came a time, in the eighteenth century, when what some men had been doing, more or less openly, for ages on end, was for the first time held forth as a model for all sensible folk to follow. . . .
>
> The new model presupposed a social end of maximizing necessaries and conveniences—an end that requires and justifies the ceaseless pursuit of interest, the precise calculation of gain, that indeed dictates limiting conditions without which such individual preoccupations

> would become socially harmful. The new model, in short, presupposed the triumph of the commercial way of life, which in turn implied a kind of universal republicanism and fostered a kind of social and political egalitarianism.[5]

Required was a new model of man whose aspirations were more limited and more socially useful, if also less spectacular and inspiring. The point to the project was to elevate the man of trade into a position of the highest social esteem and thus into a position to win the emulation of his fellow countrymen and republicans. The danger apprehended by the promoters of the new model stemmed from the inordinate ambition and pride of the old aristocratic orders.

> Granted, then, that the "spirit of commerce" works mightily against the love of glory. But not only against that. For all its preoccupation with minimal but continual gains, the spirit of commerce is antagonistic as well to the love of luxury, fine display, and objects of grandeur. It might also be said that the spirit of commerce, by promoting and setting free a mediocre if limitless ambition, is profoundly hostile to grand views.[6]

Can we go further? Can we argue that the promotion and emancipation of mediocre if limitless ambition is hostile as well to fleshy self-indulgence, the inordinate taste for the bizarre and perverse, all that smacks of the disreputable and low? Is the licentiousness to which democracies are prone relieved by the regimen of the commercial life? Can it not be argued persuasively that however far the life of money making and production is from the philosophic life, it was held out for good reason as the soundest assurance against the degeneration of the democratic man into one of Plato's drones? Respectability does not enliven the soul of a Caesar or a Socrates, but is it not a fitting passion for the man of democracy? Is it not the best under the circumstances, and pretty good at that?

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1. *The Use and Abuse of History*, trans. Adrian Collins (Indianapolis: Bobbs-Merrill, 1949), pp. 33–34.

2. For an opposing argument, see Robert Nisbet, "The Pursuit of Equality," *Public Interest*, Spring 1974, pp. 103–20.

3. Daniel Boorstin, *The Genius of American Politics* (Chicago: University of Chicago Press, 1953), p. 3.

4. I have Thomas Jefferson for an opponent in this view. I admit being chastened by the fact.

In his famous letter to John Adams of October 28, 1813, Jefferson argued the following of the democratic majority: "In general they will elect the really good and wise. In some instances, wealth may corrupt, and birth blind them; but not in sufficient degree to endanger the society."

5. Ralph Lerner, "The Tamed Ambition of the New Man of Commerce" (Paper delivered at the 1975 meeting of the American Political Science Association, San Francisco, California), pp. 2–3.

6. Ibid., p. 12.

REVIEW OF *THE MORAL STATUS OF ANIMALS*

Stephen Clark's *The Moral Status of Animals* (Oxford: Clarendon Press, 1977) not only presents a sophisticated and scholarly defense of vegetarianism and antivivisectionism; it presents a fresh view of people's relation to nature. It should be read, I believe, by all scholars interested in animal welfare and environmental issues. Clark's scholarship is deep and wide; his arguments complex and rich. As a result, there is much to learn from the book, even though one may profoundly disagree with the author's conclusions.

Before I review Clark's arguments I will mention two aspects of the book that may prevent it from having the wide appeal and the practical impact Clark desires (p. 186).

First, the book is too scholarly and sophisticated. With its numerous classical and contemporary philosophical and literary references, the book may impress scholars, but it will hardly convert meat eaters to vegetarianism. Furthermore, publishing the book with the Clarendon Press seems unwise for someone with practical, in contrast to scholarly, ambitions. It is likely that Peter Singer's *Animal Liberation*, published by New York Times Books, will have a greater practical impact than Clark's book.

Second, despite the scholarly approach and prestigious publisher, Clark is sometimes intemperate and angry. As a result, he resorts to name calling and the too hasty dismissal of counterarguments. Such an attitude is hardly designed to win friends. Indeed, at least one philosopher and well-known advocate of vegetarianism and animal rights has maintained that, because of Clark's attitude, his book may do the animal rights movement positive harm. (Tom Regan, "Review of Stephen R. L. Clark's *The Moral Status of Animals*," *Philosophical Books*, forthcoming).

Practical considerations aside, what arguments does Clark muster to support his case? It is impossible here to review all the arguments found in his book, but I will consider some of the major ones.

Vivisectionists and meat eaters attempt to justify their practices by pointing to alleged differences between humans and other animals. For example, it is noted that humans can use language and can reason, while nonhuman animals can do neither. Clark in many parts of his book attempts to break down these alleged differences and to make us see the close similarities between the human species and other species.

Clark employs several different considerations in this context. He suggests, first, that even if animals do not have an assertive language, they have a demonstrative language just as humans do. For example, humans and

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animals show, but do not assert, that they are in pain by their pain behavior. Furthermore, Clark maintains that animals may well have an assertive language; we simply do not know what it is.

But even if animals do not have a language, they can still be considered rational. Animals, according to Clark, behave in ways that can justifiably be called rational: they investigate, recognize their errors, look questioningly, and so on. Moreover, even if animals are not rational, they still suffer, and we should be compassionate toward them because they suffer, not because they are rational.

Do animals have moral rights? As far as I can determine, the question of the rights of animals is not particularly important to Clark. Indeed, he admits that it may be inappropriate to speak of rights in the context of animals. The crucial point, for Clark, is that it is wrong to treat animals badly. Whether one speaks of animals as having rights is irrelevant. As Clark puts it, "Let us say that such creatures have no rights and wait upon our mercy: shall we not give it to them?" (p. 17).

Clark admits that animals have no positive rights in that they have no positive claims on us; we are not required to go out of our way to supply them with the necessities of life (p. 28). But Clark argues that, just because they have no claims on us, it does not follow that we (humans) have a right to harm them. Although Clark speaks at times of animals having negative rights, for example, the right not to be harmed, it is not essential for his purposes to believe that they do. He could and often does make his point without any talk of rights (negative or positive)—namely, it is wrong to harm animals.

Clark correctly, I think, dismisses the idea that animals do not suffer. All the behavioral and physiological evidence indicates that they do. Even if animals do not suffer as much as humans (which is debatable), there is no doubt that they do suffer to some extent. Consequently, they should not be made to suffer unnecessarily.

But could not a critic say something like this? "Admittedly, animals suffer to some extent. But why does it follow that they should not be caused to suffer? Suppose I enjoy seeing animals suffer?"

I do not believe Clark answers this question explicitly. But one answer—a kind of dialectical answer—seems to be in the spirit of Clark's general position. One should point out to the critic that he or she believes that causing unnecessary suffering to human beings is wrong. Then one could argue that, unless some morally relevant difference can be found between human and nonhuman animals, the critic is inconsistent to admit that causing unnecessary suffering to humans is wrong and to deny that causing unnecessary suffering to animals is wrong.

The critic may have some replies here. For example, he may attempt to find some relevant moral difference between humans in general and animals. I am, however, very skeptical that this can be done. Another tack would be to

allow that causing unnecessary suffering to some small subclass of humans is morally permissible. Then the critic might argue that members of this small subclass share a property that is morally relevant and is not shared by humans outside of the class and that justifies causing them unnecessary suffering. Finally, the critic might argue that this property is also shared by nonhuman animals.

The trouble with this defense is that it is difficult to see what subclass of human beings the critic could have in mind or what relevant moral property would be referred to. Even people who have seriously suggesting killing extremely retarded people or hopelessly sick people have never suggested causing such people unnecessary suffering.

Let us suppose that the critic's counterargument is unsuccessful and that it is morally wrong to cause unnecessary suffering to animals. What, practically, is supposed to follow from this? According to Clark: a firm commitment to vegetarianism. As I have argued, however, in an earlier issue of this journal ("A Critique of Moral Vegetarianism," *Reason Papers*, no. 3 [1975]), although this is a common conclusion of vegetarians, it does not follow unless certain debatable premises are assumed. One basic idea behind this argument may be that if one stops eating meat this will have the effect on the meat-packing industry of reducing the suffering of animals raised and killed for food, but a single individual's commitment to vegetarianism will have no impact on the meat-packing industry. Vegetarianism would have to be a large movement, indeed, to have an appreciable effect. And even if it were large, it is doubtful that it would affect the production of meat in the long run. If past experience is any guide, industries often find new markets for a product when demand for it decreases.

Another idea that may be behind the argument is that, although being a vegetarian may not have any practical effect on meat packing directly, it is a symbolic act, a way of protesting the meat-packing industry's cruel treatment of animals. The question whether there is any obligation to protest in *this* way arises, however. Other forms of protest are possible and may be more effective.

Furthermore, a meat eater sensitive to animal suffering could only eat the meat of animals killed painlessly and rasied without the suffering usually associated with factory farms. Clark would nevertheless object. Clearly, he could not object on the grounds that the animals should not be caused needless pain. On what grounds, then?

Certainly, one argument Clark gives seems debatable. He argues that if we kill animals, this will weaken our respect for human life (p. 75). That this is true is surely not obvious; it needs factual evidence that Clark does not supply. There is another way of interpreting Clark's position, though. Instead of saying that killing animals will in fact weaken respect for human life, one might maintain that, if one believes that it is morally permissible to kill animals painlessly, then in all consistency one would have to believe that