Part 4

Contending with Democracy

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Hoppe on Time Preference and Democracy

Doug French

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*No intelligent American that I know of actually believes in democracy—that is, as we suffer and endure it in the Republic—and yet no one ever makes a headlong attack upon it. It is dirty, it is dishonest, it is incompetent, it is at war with every clean and noble impulse of man—and yet the eunuchs who write our books, and profess in our colleges go on assuming that it is not only immortal, but also impeccable—that to propose mopping it up by force majeure, as smallpox and yellow fever have been mopped up,   
is a sin against the Holy Ghost.*

——H.L. Mencken[[1]](#footnote-1)

I have had the pleasure of knowing Dr. Hoppe for many years, from my time as a supporter and then President of the Mises Institute, as a friend and intellectual comrade whom I now call Hans, and as a supporter and long-time attendee of his Property and Freedom Society, ever since its inaugural meeting in Bodrum, Turkey, in 2006.[[2]](#footnote-2) My wife Deanna and I were even married under his and his wife Gülcin’s gracious auspices in Bodrum in 2011. Knowing Hans and Gülcin as I do has been one of the highlights of my life.

As others in this *Liber Amicorum* will have no doubt spoken more floridly about the personal side of our Dr. Hoppe, and given my purportedly gruff and taciturn nature, I now turn to some reflections on one of his seminal works, on the important topic of democracy.[[3]](#footnote-3)

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The year 2024 may turn out to be the political system democracy’s biggest year. Bryan Walsh wrote in *Vox*, “More than 60 countries representing half the world’s population—4 billion people—will go to the polls in 2024, voting in presidential, legislative, and local elections.”[[4]](#footnote-4)

Walsh wrote that democracy is new in the grand scheme of history. For centuries populations have lived under autocratic oppression. According to Our World in Data, it was not until the 1990’s that more countries were democracies instead of some kind of autocracies.

After 200 years the American political class figures democracy is the only game in town, spending trillions of dollars and thousands of lives ostensibly with the goal of spreading democracy around the world.

But 2024 could be peak democracy as younger people sour on it. The Bennett Institute for Public Policy Cambridge issued a report in 2020 stating “millennials (born between 1981–1996) across the world are more disillusioned with democracy than Generation X or baby boomers were at the same age.”

The report’s lead author, Dr. Roberto Foa, wrote “This is the first generation in living memory to have a global majority who are dissatisfied with the way democracy works while in their twenties and thirties.”[[5]](#footnote-5)

Among the key findings was that younger folks see themselves as stuck on the low end of the wealth inequality scale and blame democracy for it. Baby Boomers and the Interwar Generation were able to buy houses and financial assets plus obtain college diplomas on the cheap and have ridden the inflationary wave of central bank money creation to a happily ever after. Meanwhile, many millennials have been priced out of the housing market, and are loaded with student debt taken on to obtain worthless college degrees. As another study notes, “In the United States, for example, millennials make up close to a quarter of the population but hold just 3 percent of wealth-when baby boomers held 21 percent of wealth at the same age.”[[6]](#footnote-6)

The Bennett report found that even for young people in countries that recently became democracies the bloom had come off the rose. Millennials don’t worship the ideal of democracy. It either delivers or it doesn’t. Does it perform? The relevant question for them is whether democracy “address[es] problems of youth unemployment, corruption, inequality and crime. Increasingly, the legitimacy of democracy therefore hinges on its performance—or failure—to face these mounting social challenges.”

It is believed that democracy will fix all of a society’s ills. As H.L. Mencken wrote, Democracy “came into the world as a cure-all, and it remains a cure-all to this day.”[[7]](#footnote-7)

But democracy sows the seeds of its own demise. In his magisterial *Democracy: The God That Failed*, Hans-Hermann Hoppe explains that man prefers earlier goods over later goods, and also prefers more to less durable goods. This is the phenomenon of time preference. The rate of time preference is different for everyone and determines “the height of the premium which present goods command over future ones as well as the amount of savings and investment.”

The lower the time preference rate, the earlier the onset of the process of capital formation, and the faster the roundabout structure of production will be lengthened. Civilization is set in motion by individual saving, investment, and the accumulation of durable consumer goods and capital goods.

Children have very high time preferences, living “day to day and from one immediate gratification to the next,” Hoppe explained. As we become adults, our time preferences fall as we save for future obligations. Old folks have higher time preferences, because they have little time left. At the same time, they have an interest in preserving wealth to leave to their heirs.

Time preferences tend to fall except if property rights are violated, and, in the words of Hoppe, “the process of civilization is permanently derailed whenever property-rights violations take the form of governmental interference.”

This government interference reduces a person’s supply of present goods and raises his effective time-preference rate. Also, expected future goods are reduced by these systematic property rights violations, thus time-preference schedules are raised.

The *have-nots* in democracy vote to take from the *haves* via government force. Thus, democracy has retarded the natural tendency of humanity to build an expanding stock of capital and durable consumer  
goods. Man, instead of becoming increasingly more farsighted and providing for ever more distant goals, is tending toward decivilization. As Hoppe describes, “formerly provident providers will be turned into drunks or daydreamers, adults into children, civilized men into barbarians, and producers into criminals.”[[8]](#footnote-8)

Ask any employer to describe the younger people working for them and most will say they all feel “entitled.” These are adults behaving like children. The Bennett study voiced the complaint millennials have about democracy, that it’s “a society in which the chances of success or failure in life depend less upon hard work and enterprise, and more upon inherited wealth and privilege.”[[9]](#footnote-9)

Hoppe makes the case that only in a democracy could the government issue, and the public accept, pure fiat currencies created out of thin air.[[10]](#footnote-10) It is perpetual inflation created by the central banks of democratic governments that creates the income inequality that millennials blame democracy for.

Even former U.S. Federal Reserve Chairman Ben Bernanke admitted in a post on his blog in 2015 that his former employer’s actions were widening the wealth gap:

The claim that Fed policy has worsened inequality usually begins with the (correct) observation that monetary easing works in part by raising asset prices, like stock prices. As the rich own more assets than the poor and middle class, the reasoning goes, the Fed’s policies are increasing the already large disparities of wealth in the United States.

Bernanke goes on to write “widening inequality is a very long-term trend,” and “Even if it were true that the aggregate economic gains from effective monetary policies are unequally distributed, that would not be a reason to forego such policies.”

While the ex-Fed Chair was trying to make the case that monetary policy via the U.S.’s pure fiat currency system did not exacerbate the wealth gap he continued to undercut his argument with statements like “The rich have more assets than the middle class (the poor have almost no assets, real or financial), but the middle class is not without assets whose values rise during a period of easy money.” [[11]](#footnote-11)

“The fiat dollar is an ‘elite’ system,” Jim Grant told the *Wall Street Journal*, “and Wall Street is its supporting ‘interest group’—those nimble, market-savvy, plugged-in folks know how to shuffle assets and exploit cheap funding from the Fed to leverage up their profits and soften the downside.”[[12]](#footnote-12)

Not even three decades have passed since this volume’s honoree wrote “it is not inconceivable that the idea of democratic rule might someday be regarded as morally illegitimate and politically unthinkable. Such a delegitimation is a necessary precondition to avoiding ultimate social catastrophe.”[[13]](#footnote-13)

What has stymied democracy’s fall from grace in the eyes of young people are recent victories by populist candidates. The Bennett report found “On average, individuals aged 18–34 see a 16 percentage-point increase in satisfaction with democracy during the first term in office of a populist leader.”[[14]](#footnote-14)

One such candidate was Donald Trump, who inexplicably many American libertarians supported. However, in 2023, it was a self-described anarcho-capitalist, Javier Milei, who won the popular vote to become President of Argentina. Like Professor Hoppe, the ideas of Murray Rothbard had the greatest influence on Milei: principally, that the state is “organized banditry.” Ironically, Melei became head of the state.[[15]](#footnote-15)

As Hoppe wrote, “Ultimately, the course of human history is determined by ideas.” Milei has the right ideas, but can he restore “human civilization and social peace” via democracy?

1. H.L. Mencken “The Anatomy of Ochlocracy,” Smart Set (Feb. 1921), p. 138, cited in H.L. Mencken, *The Gist of Mencken: Quotations from America’s Critic*, Mayo DuBasky, ed. (Scarecrow Pr., 1990), p. 358 (hereinafter “DuBasky”). [↑](#footnote-ref-1)
2. See, e.g., my various chronicles of PFS meetings compiled at https://propertyand  
   freedom.org/press/. [↑](#footnote-ref-2)
3. I also touched on this topic in my contribution to Professor Hoppe’s previous *festschrift*, “The Trouble With Democracy: Maslow Meets Hoppe,” in Jörg Guido Hülsmann & Stephan Kinsella, eds., *Property, Freedom, and Society: Essays in Honor of Hans-Hermann Hoppe* (Auburn, Ala.: Mises Institute, 2009; www.stephankinsella.com). [↑](#footnote-ref-3)
4. Bryan Walsh, “2024 is the biggest global election year in history,” *Vox.com* (Jan. 3, 2024), https://www.vox.com/future-perfect/2024/1/3/24022864/elections-democracy-2024-  
   united-states-india-pakistan-indonesia-european-parliament-far-right-voting. [↑](#footnote-ref-4)
5. R.S. Foa, A. Klassen, D. Wenger, A. Rand, A. & M. Slade, “Youth and Satisfaction with Democracy: Reversing the Democratic Disconnect?”, Cambridge, United Kingdom: Centre for the Future of Democracy (2020) (hereinafter “Foa”). This study combined data from over 4.8 million respondents, 43 sources and 160 countries between1973 and 2020. [↑](#footnote-ref-5)
6. W.R. Emmons, A.H. Kent & L.R. Ricketts, “A Lost Generation? Long-Lasting Wealth Impacts of the Great Recession on Young Families,” *The Demographics of Wealth*: 2018 Series, Essay No. 2 (2018), cited in Foa. [↑](#footnote-ref-6)
7. H.L. Mencken, “The Future of Democracy,” in *Notes on Democracy* (1926), pp. 195–96, cited in DuBasky, p. 352. [↑](#footnote-ref-7)
8. Hans-Hermann Hoppe, “On Time Preference, Government, and the Process of Decivilization,” in *Democracy The God That Failed* (Transaction Publishers, 2001; https://hanshoppe.com/democracy). [↑](#footnote-ref-8)
9. Foa, p. 37. [↑](#footnote-ref-9)
10. Hoppe, *Democracy*, p. 57. [↑](#footnote-ref-10)
11. Ben Bernanke, “Monetary Policy and Inequality,” Brookings Institution (June 1, 2015), https://www.brookings.edu/articles/monetary-policy-and-inequality/. [↑](#footnote-ref-11)
12. Quoted in Holman W. Jenkins Jr., “The Scourge of the Faith-Based Paper Dollar,” *Wall Street Journal* (July 16, 2011). [↑](#footnote-ref-12)
13. Hoppe, *Democracy*, p. 43. [↑](#footnote-ref-13)
14. Foa, p. 2. [↑](#footnote-ref-14)
15. Jonathan Derbyshire, “Libertarianism is having a moment with Argentina’s Milei,” *Financial Times* (Aug. 31, 2023). [↑](#footnote-ref-15)