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Hoppe on Democracy and Prosperity

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In the past few years, global geopolitical crisis and policy mistakes during the “pandemic” have led to many business closures, also extreme volatility in both the stock and real estate markets, resulting in numerous individuals and firms facing bankruptcy. I, however, was relatively fortunate, successfully navigating the challenges by reallocating my investment to the relatively vibrant markets. Reflecting on this experience, I have to take this opportunity (his upcoming 75th birthday) to thank Prof. Hans-Hermann Hoppe, from whom I learnt that economic prosperity can only be found upon freedom and private property rights. Undoubtedly, there is not a single government on earth that completely respects private property rights to the degree Prof. Hoppe would approve. However, investing in countries where governments relatively respect private property rights remains a key to success.

I have been on radio in Hong Kong, commenting the financial market on a regular basis, during which the host asks me, “given that the US market keeps making record high and seems bubbly, while the Chinese market exhibits a deep discount, which should be due for a big reversal to mean, where should I put my money in?” The answer is clearly evident—a nation’s prosperity depends on people’s willingness to invest in that nation. If both locals and foreigners are eager to invest their capital in that particular nation, the asset prices in that nation will naturally rise. Conversely, if the economic policies of a country not only deter foreign investors but also make the locals hesitant to invest, or even worse, contemplate selling assets and moving abroad, then the asset prices in that country will eventually collapse and become worthless. The best example was the stock market in Russia after the Bolshevik Revolution.

We should all be enlightened by Prof. Hoppe’s teaching when it comes to evaluating how a country has performed economically with regards to its institutions in safeguarding freedom and private property rights. He challenges the mainstream notion that equates freedom with democracy. In Hoppe’s work, *Democracy: The God That Failed*,[[1]](#footnote-1) Prof. Hoppe not only proposes democracy has nothing to do with freedom and prosperity, but also asserts that democracy manifested in its extreme form via universal suffrage, forcing the minority to obey the majority, conflicts fundamentally with individual freedom. He argues that economic prosperity stems from individual freedom, but because contemporary Western democratic systems infringe upon individual freedom, it leads the Western economy to lose its robust growth momentum from the past.

This theory naturally sparks discontent among many Western scholars who blindly champion democratic systems, but it also answers a longstanding misery in my mind. During the colonial era, Hong Kong lacked one-person-one-vote type democracy, yet its economic growth was exceptionally strong, even surpassing the democratic United Kingdom—its colonial ruler. This led notable figures like the late Prof. Milton Friedman of the Chicago School to frequently highlight Hong Kong as a poster boy of free-market policies. However, it is only Hoppe’s theory which cuts the tie between freedom and democracy, and restating that freedom, not democracy, is the foundation of prosperity. It is also only Hoppe’s theory which pinpoints most explicitly and directly why the undemocratic Hong Kong could economically outpace the democratic United Kingdom.

Besides *Democracy: The God That Failed*, Professor Hoppe has various other works. I recommend Hoppe’s lectures on YouTube,[[2]](#footnote-2) especially the series with another renowned Austrian economist Prof. Guido Hülsmann that was presented in Denmark back in the mid-2000s. These videos cover fundamental economic theories such as the history of money, fractional reserve banking, business cycles, capital and interest, and praxeology. I can testify that by watching the videos, approximately 10 hours in total, surpasses the knowledge I gained from the economic master’s degree program at my *alma mater*. For readers who are interested in delving deeper into the study of economic theory, Hoppe’s teachings are truly refreshing and enlightening.

1. Hans-Hermann Hoppe, *Democracy: The God that Failed* (Transaction, 2001; https://www.hanshoppe.com/democracy). [↑](#footnote-ref-1)
2. The playlist may be found at https://www.youtube.com/playlist?list=PLDFA820510  
   66933E9. [↑](#footnote-ref-2)