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The Humble Hero of Truth

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I first met Professor Hoppe in 2002, at the summer university organised by the Mises Institute in Auburn, Alabama. I was immediately stunned by the monumental force and implacable logic of his arguments. At the time and still today, his articles and lectures on ethics, economics, social issues and scientific method impress me with their enthusiastic and empowering message—truth, the one thing that matters most, is something that not even the most oppressive government could ever take away from those who cherish it and seek it. Since that first encounter, I have been honoured by Professor Hoppe’s company at several public conferences and private gatherings, including the inaugural and other early meetings of the Property and Freedom Society.[[1]](#footnote-1) At any of these occasions I have always felt being in the presence of an exceptional person whose character combined true heroism with genuine humility. I am certain this is a feeling experienced by all those who have gotten closer to Hans-Hermann and to his intellectual universe. Here I would like to relate two personal interactions with him, which illustrate these two aspects of his outstanding character.

Professor Hoppe approached me in early 2011 with the request to improve the French translation of an interview on taxation with *Philosophie Magazine*. This monthly review, which describes itself as non-partisan, aims at vulgarising philosophy in France. I was very excited that Professor Hoppe’s views would reach a wider audience and could substantiate a more serious debate in a country where public finances were last balanced in 1974 and government expenditure was hovering above 55% of GDP (and closer to 60% nowadays). I enthusiastically invested some effort in making sure that the French readers would get both the content and the style of the arguments as accurately as they appeared in the original English version. I sent Professor Hoppe the improved translation and then did not hear back for quite some time. A few months later I got an email from him where he excused himself for the unfortunate outcome that, as far as he could tell, the interview would not be published. Apparently, the journalist had simply vanished without any explanation!

Of course, I was disappointed. However, I did not regret a single second spent on understanding Professor Hoppe’s carefully crafted text and re-drafting it in another language. That had been an incredibly rewarding experience in itself. My disappointment came from that ruthless denial of audience to the expression of truth, simply because truth’s implications were disliked. This interview[[2]](#footnote-2) is, still today, the most concise and clear statement of the nature and ethics of taxation. It is a coherent step-by-step explanation of why taxes must be considered theft, the reasons why no tax is fair, and consequently why it is not unjust to avoid paying taxes. I am convinced the journalist did not like many of the logical conclusions, especially those that cracked the foundations of an egalitarian redistributive tax policy, e.g. that a progressive tax is not more justified than a flat tax, or that rich people need not be taxed more than the poor. Yet I doubt this was the main reason to reject the interview. After all, different tax systems exist in different countries. This already suggests either a lack of consensus among economists and politicians as regards the “best” taxation system or a plurality of solutions, depending on the concrete policy objectives or some other specific circumstances.

I believe the truly “problematic” part of that interview was another logical implication that Professor Hoppe did not refrain from making explicit. Namely, taxation divides society into two classes: exploited net tax-payers and exploiting net tax-consumers.[[3]](#footnote-3) It is unlikely that those whose livelihood depends on taxes, i.e. the net tax-consumers, would ever support a reform in defence of lower taxes and, instead, voluntary financing. To the extent that the vast majority of contemporary intellectuals live off taxation, one can easily guess what they would preach.

Now, this implication about the most likely content of present-day intellectuals’ writings is not a minor observation! It unveils a broader, and rather unpleasant, truth—whenever governments provide special, non-market advantages to an economic activity, and in some cases to an entire profession, the nature of that activity or profession gets corrupted and distorted. There is an essential difference between an economist and a state-funded number-cruncher,[[4]](#footnote-4) a musician and a state-funded sound-maker, a physician and a state-funded prescriptions-writer, etc. In brief, governments bring about an unavoidable perversion of human talents.[[5]](#footnote-5) This is nothing short of a progressive de-civilization and destruction of humanity itself. This conclusion, namely that governments are the true enemy of the people, must have triggered the exclusion of the interview from the pages of *Philosophie Magazine*. Yet Professor Hoppe did not get discouraged, nor did he offer the journal a more accommodative version of the text, with a view to reaching a larger audience. No, he would have considered this self-censorship unacceptable! This was to me one example of the single thing that matters to Hans-Hermann, namely that his arguments are crafted with the utmost care for exactitude and clarity. This uncompromising loyalty to the logical validity and completeness of an argument, irrespective of any potential personal prejudice, makes him a true hero of truth.

One could think that such a strong conviction in the primacy of truth, therefore coupled with the related awareness of always having truth on one’s own side, would go together with an attitude of emphasized self-righteousness, and hence some degree of intellectual arrogance. As far as I can tell, the exact opposite has happened in the person of Professor Hoppe! I have been truly amazed by the tact with which I saw him treating his interlocutors and by his delicate attention not to embarrass them by an apparent superiority in knowledge or intelligence. Maybe such a degree of humility is an in-born quality, or maybe it is a result of a progressively acquired deep and philosophical understanding of our world. One way or another, I daresay this is now Hans-Hermann’s natural way of being.

I experienced Professor Hoppe’s remarkable humility once in a personal exchange after a talk I gave in Bodrum on the omnipresence of monetary policy. Professor Hoppe looked satisfied and gratified me with his characteristic smile, while uttering a few succinct but uplifting words. He pointed out that I should have described the inflationary international connivance between major central banks as an act of conspiracy, instead of cooperation, as we economists should reserve the latter concept exclusively for voluntary undertakings. In the ensuing discussion, I mentioned to him how powerful I found the Austrian fundamentals of monetary theory and his own contributions in that area, both for grasping major social trends and for understanding sector-specific developments in finance. On the latter point, Professor Hoppe confided that they, i.e. the recognized mentors, could not expand further the area of practical application of the theory because they did not know much about the exact technicalities of how modern banks were functioning.

On the spot, that statement surprised me for at least two reasons. First, it was an open recognition of some degree of knowledge limitation. As we know, a big part of the standard intellectual game consists, instead, in hiding any appearance of such a limitation. But Professor Hoppe is not the trivial modern university professor who invests more energy in concealing his weaknesses than in broadening his knowledge. Second, that observation made me think about the actual limitations of the Austrian monetary and banking theory. Would Austrian economists have an insufficient understanding of modern finance due to a lack of intimate knowledge about some technical details? Therefore, should Austrians   
invest more time and energy to get acquainted with and even master such technicalities? At the time, I did not have answers to these questions. It so happened that since that exchange with Professor Hoppe in Bodrum my professional career took a turn that has exposed me closely to many concrete aspects of commercial and central banking and of banking regulation. Based on that personal experience, I would like to briefly share two broad observations, and that way continue a dialogue that started about a decade ago.

First, what we call technical details are, as a matter of fact, the concrete aspects through which a natural social phenomenon or a government-induced economic policy unfolds in a given place (here) and at a given moment (now). From that point of view, technicalities are indeed very important for applied analysis or for any practical policy discussion. To some extent, the very choice of the proper theoretical concepts that are needed to grasp a specific phenomenon depends on the prior identification of the relevant technical aspects. For instance, the economic analysis of the so-called Transmission Protection Instrument of the ECB, or of monetary tightening as currently defined and practiced by the FED, or of non-performing loans in relation to banks’ capacity to expand credit in a context of rising interest rates, requires a relatively in-depth historical understanding of the specific parameters and actual workings of these monetary mechanisms and instruments. Admittedly, this type of knowledge belongs more to technology and history than to economics. Yet it is indispensable for a correct application of economic theory to the world here and now. Hence, to meet their own high standards of realism, Austrian economists must get familiar with the relevant present-day technicalities.

Second, while history and technology are much needed to make practical use of theory, theory remains foundational for seeing through both the evident and also less obvious cause-to-effect relations in our world. Naturally, the concept of theory here does not refer to some formalistic mathematical model with a specialised, i.e. intentionally narrow, scope. Rather, it refers to a broad scientific *corpus* such as the one of Austrian economics. The relevant question here is whether being an Austrian makes a difference in the professional workplace, among technicians. Based on my own experience, however limited it might be, I can share that Austrian economists suffer no handicap and even have a distinct advantage in comparison to other practitioners and analysts. Typically, when faced with a specific policy action or an institutional detail, non-Austrians fail to put them in a broader context that would also clarify some wider ramifications throughout the economy. Austrian economists, on the contrary, have no difficulty in connecting the dots and seeing through the forest, precisely because they rely on a wider theoretical *corpus*, all of the elements of which are valid always and everywhere, and therefore also now and here. It is true that Austrians first have to learn a particular jargon and then translate it into a notion familiar to them. However time-consuming that process might be, I have found that it has often resulted in most pertinent observations and even eye-opening comments for colleagues.[[6]](#footnote-6) Finally, Austrian economics offers a unique and foolproof protection against misconceptions of all sorts that are so common among practitioners.[[7]](#footnote-7) Indeed, way too often practitioners believe that they are those who really know how things work.[[8]](#footnote-8)

As Austrian economists, we should not shy away from engaging with practitioners, technicians and consultants. Not only do we have a trick or two to impress them with, but we can also demonstrate the validity, and sometimes even practical superiority, of our theoretical corpus. That is also one way to pay tribute to the superb achievements of such intellectual giants as Professor Hoppe.

1. Anyone who has attended any meeting of the PFS would testify that this private society is, in a word, exquisite. I remember Professor Hoppe having said once in Bodrum that lovers of liberty tend to outcompete their opponents in beauty too. There can be no doubt that this concrete statement was triggered by the very satisfactory look of the surrounding environment. Yet the argument goes much deeper. Indeed, liberty is the necessary pre-condition for the successful pursuit of beauty and the related thriving of aesthetics. [↑](#footnote-ref-1)
2. It can be found on the webpage https://www.hanshoppe.com/2011/03/philosophie-  
   magazine-interview-on-taxation/, as well as in the collection of essays Professor Hoppe has published under the title *The Great Fiction* (www.hanshoppe.com/tgf). [↑](#footnote-ref-2)
3. See also Hans-Hermann Hoppe, “Marxist and Austrian Class Analysis,” in *The Economics and Ethics of Private Property*, 2nd ed. (Auburn, AL: Ludwig von Mises Institute, 2006; www.hanshoppe.com/eepp). [↑](#footnote-ref-3)
4. On that specific point, you should trust me that a professional “desk economist,”   
   a specialised “forecaster,” or an “expert in structural reforms” with a national or international bureaucracy practices economics as much as an astrologist practices astronomy. [↑](#footnote-ref-4)
5. This is not to say that there are no diligent people in state employment who attempt to be good economists, musicians or physicians. The point, rather, is that their talents do not thrive to the same extent and in the same direction as in the case of voluntary market-based funding. [↑](#footnote-ref-5)
6. Yet one should remain humble and acknowledge that, despite their pertinence, such observations do not influence actual policies. While many factors contribute to this unfortunate outcome, the main driver might be the very nature of modern policy making. Policy measures are no longer decided based on their consequences, in a consistent means-ends framework. Rather, they are undertaken on the ground of their, often assumed, contribution to a higher policy goal, which, in a progression ad infinitum, ultimately can only be a salutary goal. In these circles one would often hear, “We knew, but we had to do it,” implying that a policy measure that is questionable from an expert point of view, and might have been recognized as such, had to be followed out of necessity, for instance to save the planet, save endangered species, save democracy, save the euro, save the Union, etc. Incidentally, this leads to a delusionary attitude, quite common among policy actors at all levels, that I would name “the Jesus syndrome” only because I lack sufficient training in the proper diagnosis of mental disorders. The rather recent reference in public discourse to “evidence-informed” or “evidence-based” policy making is quite an explicit recognition that, so far, actual policies have been rooted in anything but reality and knowledge about it. [↑](#footnote-ref-6)
7. As Professor Hoppe writes,

   while economic *forecasting will indeed always be a systematically unteachable art*, it is at the same time true that *all economic forecasts must be thought of as being constrained by the existence of a priori knowledge about actions as such.*

   The quantity theory of money then cannot render any specific economic event, certain or probable, on the basis of a formula employing prediction constants. However, the theory would nonetheless restrict the range of possibly correct predictions. And it would do this not as an empirical theory, but rather as a praxeological theory, acting as a logical constraint on our prediction-making. Predictions that are not in line with such knowledge (in our case: the quantity theory) are systematically flawed and making them leads to systematically increasing numbers of forecasting errors. This does not mean that someone who based his predictions on correct praxeological reasoning would necessarily have to be a better predictor of future economic events than someone who arrived at his predictions through logically flawed deliberations and chains of reasoning. It means that in *the long run the praxeologically enlightened forecaster would average better than the unenlightened ones.*

   It is possible to make the wrong prediction in spite of the fact that one has correctly identified the event “increase in the money supply” and in spite of one’s praxeologically correct reasoning that such an event is by logical necessity connected with the event “drop in the purchasing power of money.” For one might go wrong predicting what will occur to the event “demand for money.” One may have predicted a constant demand for money, but the demand might actually increase. Thus the predicted inflation might not show up as expected. And on the other hand, it is equally possible that a person could make a correct forecast, i.e., there will be no drop in purchasing power, in spite of the fact that he was wrongly convinced that a rise in the quantity of money had nothing to do with money’s purchasing power. For it may be that another concurrent change occurred (the demand for money increased) which counteracted his wrong assessment of causes and consequences and accidentally happened to make his prediction right.

   However, and this brings me back to my point that praxeology logically constrains our predictions of economic events: What if we assume that all forecasters, including those with and without sound praxeological knowledge, are on the average equally well-equipped to anticipate other concurrent changes? What if they are on the average equally lucky guessers of the social and economic future? Evidently, we must conclude then that *forecasters making predictions in recognition of and in accordance with praxeological laws like the quantity theory of money will be more successful than that group of forecasters which is ignorant of praxeology.*

   It is impossible to build a prediction formula which employs the assumption of time-invariantly operating causes that would enable us to scientifically forecast changes in the demand for money. The demand for money is necessarily dependent on people’s future states of knowledge, and future knowledge is unpredictable. And thus *praxeological knowledge has very limited predictive utility.*

   Hans-Hermann Hoppe, *Economic Science and the Austrian Method* (Auburn, Ala.: Mises Institute, 1995; www.hanshoppe.com/esam), p. 44 et seq (emphasis added; citations omitted). See also related comments by other Austrians in Stephan Kinsella, “*Verstehen* and the Role of Economics in Forecasting, or: If You’re so Rich, Why Aren’t You Smart?”, *StephanKinsella.com* (Sep. 1, 2009; www.stephankinsella.com). [↑](#footnote-ref-7)
8. I would like to share three examples of discussions with fellow practitioners. Colleague *A*, with a good managerial experience at a significant French bank, firmly believes that commercial and central banks do not have a monopoly on the production of media of exchange. He thinks that the capacity of banks’ clients to write checks in discretionary amounts of their choice demonstrates that any bank-account holder can produce money. Colleague *B* thinks that he can calculate the price a government should charge a bank for the capital it injects into it in such a way that competition in banking is not distorted. Colleague *C* believes that the international standing of the euro is below its potential because of insufficient amounts of high-quality euro-denominated assets, irrespective of the fact that the euro area governments have issued massive amounts of public debt securities over the last decade. To remedy the situation, he continues, it would be necessary to expand the pool of high-quality euro assets available to foreign investors, notably by convincing the member states of the European Union to agree on issuing common debt in a centralized way. [↑](#footnote-ref-8)