

# **Democracy: The God That Failed**

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On the most abstract level, I want to show how *theory* is indispensable in correctly interpreting history. History – the sequence of events unfolding in time – is “blind.” It reveals nothing about causes and effects. We may agree, for instance, that feudal Europe was poor, that monarchical Europe was wealthier, and that democratic Europe is wealthier still, or that nineteenth-century America with its low taxes and few regulations was poor, while

contemporary America with its high taxes and many regulations is rich. Yet was Europe poor *because* of feudalism, and did it grow richer *because* of monarchy and democracy? Or did Europe grow richer *in spite* of monarchy and democracy? Or are these phenomena unrelated?

Likewise, is contemporary America wealthier *because* of higher taxes and more regulations or *in spite* of them? That is, would America be even more prosperous if taxes and regulations had remained at their nineteenth-century levels? Historians *qua* historians cannot answer such questions, and no amount of statistical data manipulation can change this fact. Every sequence of empirical events is compatible with any of a number of rival, mutually incompatible interpretations.

To make a decision regarding such incompatible interpretations, we need a *theory*. By theory I mean a proposition whose validity does *not* depend on further experience but can be established *a priori*. This is *not* to say that one can do without experience altogether in establishing a theoretical proposition. However, it *is* to say that even if experience is necessary, theoretical insights extend and transcend logically beyond a particular historical experience. Theoretical propositions are about *necessary* facts and relations and, by implication, about *impossibilities*. Experience may thus illustrate a theory. But historical experience can neither establish a theorem nor refute it.

## **The Austrian School**

Economic and political theory, especially of the Austrian variety, is a treasure trove of such propositions. For instance, a larger quantity of a good is preferred to a smaller amount of the same good; production must precede consumption; what is consumed now cannot be consumed again in the future; prices fixed below market-clearing prices will lead to lasting shortages; without private property in production factors there can be no factor prices, and without factor prices cost-accounting is impossible; an increase in the supply of paper money cannot increase total social wealth but can only redistribute existing wealth; monopoly (the absence of free entry) leads to higher prices and lower product quality than competition; no thing or part of a thing can be owned exclusively by more than one party at a time; democracy (majority rule) and private property are incompatible.

Theory is no substitute for history, of course, yet without a firm grasp of theory serious errors in the interpretation of historical data are unavoidable. For instance, the outstanding historian Carroll Quigley claims that the invention of fractional reserve banking has been a major cause of the unprecedented expansion of wealth associated with the Industrial Revolution, and countless historians have associated the economic plight of Soviet-style socialism with the absence of democracy.

From a theoretical viewpoint, such interpretations must be rejected categorically. An increase in the paper money supply *cannot* lead to greater prosperity but only to wealth redistribution. The explosion of wealth during the Industrial Revolution took place *despite* fractional reserve banking. Similarly, the economic plight of socialism *cannot* be due to the absence of democracy. Instead, it is caused by the absence of private property in factors of production. “Received history” is full of such misinterpretations. Theory allows us to rule out certain historical reports as impossible and incompatible with the nature of things. By the same token, it allows us to uphold certain other things as historical possibilities, even if they have not yet been tried.

## **Revisionist History**

More interestingly, armed with elementary economic and political theory, I present in my book a revisionist reconstruction of modern Western history: of the rise of absolute monarchical states out of state-less feudal orders, and the transformation, beginning with the French Revolution and essentially completed with the end of World War I, of the Western world from monarchical to democratic States, and the rise of the US to the rank of “universal empire.” Neo-conservative writers such as Francis Fukuyama have interpreted this development as civilizational progress, and they proclaim the “End of History” to have arrived with the triumph of Western – US – democracy and its globalization (making the world safe for democracy).

## Myth One

My theoretical interpretation is entirely different. It involves the shattering of three historical myths. The first and most fundamental is the myth that the emergence of states out of a prior, non-statist order has caused subsequent economic and civilizational progress. In fact, theory dictates that any progress must have occurred *in spite* – not *because* – of the institution of a state.

A state is defined conventionally as an agency that exercises a compulsory territorial monopoly of ultimate decision-making (jurisdiction) and of taxation. By definition then, every state, regardless of its particular constitution, is economically and ethically deficient. Every monopolist is “bad” from the viewpoint of consumers. Monopoly is hereby understood as the absence of free entry into a particular line of production: only one agency, A, may produce X.

Any monopoly is “bad” for consumers because, shielded from potential new entrants into its line of production, the price for its product will be higher and the quality lower than with free entry. And a monopolist with ultimate decision-making powers is particularly bad. While other monopolists produce inferior goods, a monopolist judge, besides producing inferior goods, will produce *bads*, because he who is the ultimate judge in every case of conflict also has the last word in each conflict involving himself. Consequently, instead of preventing and resolving conflict, a monopolist of ultimate decision-making will *cause and provoke* conflict in order to settle it to his own advantage.

Not only would no one accept such a monopoly judge provision, but no one would ever agree to a provision that allowed this judge to determine the price to be paid for his “service” unilaterally. Predictably, such a monopolist would use up ever more resources (tax revenue) to produce fewer goods and perpetrate more *bads*. This is not a prescription for protection but for oppression and exploitation. The result of a state, then, is not peaceful cooperation and social order, but conflict, provocation, aggression, oppression, and impoverishment, i.e., de-civilization. *This*, above all, is what the history of states illustrates. It is first and foremost the history of countless millions of innocent state victims.

## Myth Two

The second myth concerns the historic transition from absolute monarchies to democratic states. Not only do neoconservatives interpret this development as progress; there is near-universal agreement that democracy represents an advance over monarchy and is the cause of economic and moral progress. This interpretation is curious in light of the fact that democracy has been the fountainhead of every form of socialism: of (European) democratic socialism and (American) liberalism and neo-conservatism *as well as* of international (Soviet) socialism, (Italian) fascism, and national (Nazi) socialism. More importantly, however, theory contradicts this interpretation; whereas both monarchies *and* democracies are deficient as states, democracy is worse than monarchy.

Theoretically speaking, the transition from monarchy to democracy involves no more or less than a hereditary monopoly “owner” – the prince or king – being replaced by temporary and interchangeable – monopoly “caretakers” – presidents, prime ministers, and members of parliament. Both kings and presidents will produce *bads*, yet a king, because he “owns” the monopoly and may sell or bequeath it, will care about the repercussions of his actions on capital values. As the owner of the capital stock on “his” territory, the king will be comparatively future-oriented. In order to preserve or enhance the value of his property, he will exploit only moderately and calculatingly. In contrast, a temporary and interchangeable democratic caretaker does not own the country, but as long as he is in office he is permitted to use it to his advantage. He owns its current use but not its capital stock. This does not eliminate exploitation. Instead, it makes exploitation shortsighted (present-oriented) and uncalculated, i.e., carried out without regard for the value of the capital stock.

Nor is it an advantage of democracy that free entry into every state position exists (whereas under monarchy entry is restricted by the king’s discretion). To the contrary, only competition in the production of *goods* is a good

thing. Competition in the production of *bad*s is *not* good; in fact, it is sheer evil. Kings, coming into their position by virtue of birth, might be harmless dilettantes or decent men (and if they are “madmen,” they will be quickly restrained or if need be, killed, by close relatives concerned with the possessions of the dynasty). In sharp contrast, the selection of government rulers by means of popular elections makes it essentially impossible for a harmless or decent person to ever rise to the top. Presidents and prime ministers come into their position as a result of their efficiency as morally uninhibited demagogues. Hence, democracy virtually assures that *only* dangerous men will rise to the top of government.

In particular, democracy is seen as promoting an increase in the social rate of time preference (present-orientation) or the “infantilization” of society. It results in continually increased taxes, paper money and paper money inflation, an unending flood of legislation, and a steadily growing “public” debt. By the same token, democracy leads to lower savings, increased legal uncertainty, moral relativism, lawlessness, and crime. Further, democracy is a tool for wealth and income confiscation and redistribution. It involves the legislative “taking” of the property of some – the haves of something – and the “giving” of it to others – the have-nots of things. And since it is presumably something *valuable* that is being redistributed – of which the haves have too much and the have-nots too little – any such redistribution implies that the incentive to be of value or produce something valuable is systematically reduced. In other words, the proportion of not-so-good people and not-so-good personal traits, habits, and forms of conduct and appearance will increase, and life in society will become increasingly unpleasant.

Last but not least, democracy is described as resulting in a radical change in the conduct of war. Because they can externalize the costs of their own aggression onto others (via taxes), both kings and presidents will be more than ‘normally’ aggressive and warlike. However, a king’s motive for war is typically an ownership-inheritance dispute. The objective of his war is tangible and territorial: to gain control over some piece of real estate and its inhabitants. And to reach this objective it is in his interest to distinguish between combatants (his enemies and targets of attack) and non-combatants and their property (to be left out of the war and undamaged). Democracy has transformed the limited wars of kings into total wars. The motive for war has become ideological – democracy, liberty, civilization, humanity. The objectives are intangible and elusive: the ideological “conversion” of the losers preceded by their “unconditional” surrender (which, because one can never be certain about the sincerity of conversion, may require such means as the mass murder of civilians). And the distinction between combatants and non-combatants becomes fuzzy and ultimately disappears under democracy, and mass war involvement – the draft and popular war rallies – as well as “collateral damage” become part of war strategy.

### **Myth Three**

Finally, the third myth shattered is the belief that there is no alternative to Western welfare-democracies *a la* US. Again, theory demonstrates otherwise. First, this belief is false because the modern welfare-state is not a “stable” economic system. It is bound to collapse under its own parasitic weight, much like Russian-style socialism imploded a decade ago. More importantly, however, an economically stable alternative to democracy exists. The term I propose for this alternative is “natural order.”

In a natural order every scarce resource, including all land, is owned privately, every enterprise is funded by voluntarily paying customers or private donors, and entry into every line of production, including that of property protection, conflict arbitration, and peacemaking, is free. A large part of my book concerns the explanation of the workings – the logic – of a natural order and the requirements for the transformation from democracy to a natural order.

Whereas states disarm their citizens so as to be able to rob them more surely (thereby rendering them more vulnerable also to criminal and terrorist attack), a natural order is characterized by an armed citizenry. This feature is furthered by insurance companies, which play a prominent role as providers of security and protection in a natural order. Insurers will encourage gun ownership by offering lower premiums to armed (and weapons-trained) clients. By their nature insurers are *defensive* agencies. Only “accidental” – not: self-inflicted, caused or provoked – damage is “insurable.” Aggressors and provocateurs will be denied insurance coverage and are thus weak. And because insurers must indemnify their clients in case of victimization, they must be concerned

constantly about the prevention of criminal aggression, the recovery of misappropriated property, and the apprehension of those liable for the damage in question.

Furthermore, the relationship between insurer and client is contractual. The rules of the game are mutually accepted and fixed. An insurer cannot “legislate,” or unilaterally change the terms of the contract. In particular, if an insurer wants to attract a voluntarily paying clientele, it must provide for the foreseeable contingency of conflict in its contracts, not only between its own clients but especially with clients of *other* insurers. The only provision satisfactorily covering the latter contingency is for an insurer to bind itself contractually to independent third-party arbitration. However, not just any arbitration will do. The conflicting insurers must *agree* on the arbitrator or arbitration agency, and in order to be agreeable to insurers, an arbitrator must produce a product (of legal procedure and substantive judgment) that embodies the widest possible moral consensus among insurers and clients alike. Thus, contrary to statist conditions, a natural order is characterized by stable and predictable law and increased legal harmony.

Moreover, insurance companies promote the development of another “security feature.” States have not just disarmed their citizens by taking away their weapons, democratic states in particular have also done so in stripping their citizens of the *right to exclusion* and by promoting instead – through various non-discrimination, affirmative action, and multiculturalist policies – *forced integration*. In a natural order, the right to exclusion inherent in the very idea of private property is restored to private property owners.

Accordingly, to lower the production cost of security and improve its quality, a natural order is characterized by increased discrimination, segregation, spatial separation, uniculturalism (cultural homogeneity), exclusivity, and exclusion. In addition, whereas states have undermined intermediating social institutions (family households, churches, covenants, communities, and clubs) and the associated ranks and layers of authority so as to increase their own power *vis-a-vis* equal and isolated individuals, a natural order is distinctly un-egalitarian: “elitist,” “hierarchical,” “proprietary,” “patriarchal,” and “authoritarian,” and its stability depends essentially on the existence of a self-conscious natural – voluntarily acknowledged – aristocracy.

## Strategy

Finally, I discuss strategic matters and questions. How can a natural order arise out of democracy? I explain the role of ideas, intellectuals, elites, and public opinion in the legitimation and de-legitimation of state power. In particular, I discuss the role of secession – and the proliferation of independent political entities – as an important step toward the goal of natural order, and I explain how to properly privatize “socialized” and “public” property.

The book grew out of speeches I presented at various Mises Institute and Center for Libertarian Studies conferences during the 1990s. These conferences, organized by Lew Rockwell, Burt Blumert, and, until his death in 1995, Murray Rothbard, had the purpose of advancing libertarianism by locating and anchoring abstract libertarian theory historically, sociologically, and culturally and thereby creating what has become known in the meantime as paleo-libertarianism (in contrast to left-countercultural-libertarianism and cold-and-hot-war “new” and “neo”-conservatism). The *Rothbard-Rockwell Report*, the precursor to *LewRockwell.com*, was the first and most immediate expression and reflection of this intellectual movement. Others included *The Costs of War*, *Reassessing the Presidency*, and *The Irrepressible Rothbard*. *Democracy the God That Failed* is my attempt to define and give expression to the paleo-libertarian movement.

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