

## FURTHER NOTES ON PREFERENCE AND INDIFFERENCE: REJOINDER TO BLOCK

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**I**n response to Block's foregoing criticism of my previously published note on the subject of preference and indifference in economic analysis, I will first summarize our agreements. Then I will reconstruct our differences in the form of a fictive dialogue between Block (*B*) and Hoppe (*H*) to conclude that Block has failed to grasp my argument due to his amazing admission that "I do not give two hoots about whether or not we achieve a correct description of someone's actions."

Assume that Block has several ten dollar notes and I have several sweaters. We agree that it is possible and perfectly legitimate for Block to say that each of his notes is "perfectly substitutable" for any other, that they are "homogeneous" goods, or that one is "indifferent" toward one note *vis-a-vis* any other. Whether or not this statement is true (or false) depends on Block's perception. It is true if Block does indeed view each note as "equally serviceable" (given some defined goal or end) as compared to any other; and it is false if he considers them as not equally serviceable (in which case they are heterogeneous goods). The same holds for Hoppe and his sweaters.

Second, we agree that every action, and more specifically, every interpersonal exchange demonstrates, expresses, reveals or manifests a preference (or rather: opposite preferences).

Further, we agree that the law of marginal utility, i.e., the proposition that as the supply of a homogeneous good increases (decreases) the marginal utility decreases (increases), holds true.

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Now to our differences: Assume that Block affirms that he considers each of his dollar notes as equally serviceable (as a supply of homogeneous notes), and Hoppe likewise affirms that he considers each of his sweaters as perfectly substitutable for any other. Then an exchange of one ten dollar note against one sweater takes place. How is this exchange to be analyzed?

*B:* First, this exchange demonstrates that I prefer a sweater to a ten dollar note and you prefer a note to a sweater. Second, it demonstrates that I value one note less (the one that I actually give up) than the others (those that I keep) and that the same holds true for you and your sweaters—after all, it is one *particular* note that is being exchanged for one *particular* sweater and there must be a reason why it is *this* note and *this* sweater rather than *that*.

*H:* I agree with your first statement, but not with the second. In fact, with your second statement you become entangled in a logical contradiction, because on the one hand you have affirmed that you consider all of your notes as *homogeneous* and on the other hand you now affirm that they are *not* homogeneous (but you value one note less than another).

*B:* Admitted, this is a contradiction if you put the matter in this way. But I don't put it thus. Rather, I say that I considered the notes as homogeneous *before* the action (exchange), but *later*, at the moment of choice, I considered them as different or heterogeneous. Thereby the contradiction disappears.

*H:* What, however, if you say that you consider them to be homogeneous notes *while* (at the exact same moment when) the exchange takes place? Aren't you then contradicting yourself? Aren't you *then* saying simultaneously *both*: that your notes are homogeneous *and* that they are not homogeneous? Further: Assume that you affirmed the law of marginal utility while we exchanged a ten dollar note for a sweater and said "I herewith give up one of my equally serviceable notes in exchange for one of your sweaters and consequently the marginal utility of a ten dollar note for me is now higher than otherwise would have been the case." Given what you have argued at the outset: that your exchange of a note for a sweater demonstrates, not only your preference of a sweater to a note, but also your preference of some notes (those you keep) over others (the one that you give up)—aren't you then involved in a logical contradiction? Surely, not *both* statements can be true: your affirmation of the law of marginal utility *and* your particular description of the exchange. Isn't your affirmation then falsified by your description of our exchange or *vice versa*?

*B:* I must admit that I am running into difficulties here with my argument. But aren't you running into similar difficulties with yours?

First: How can you accept only the first part of my analysis but deny the second? After all, it cannot be denied that it *is* one *particular* note and one *particular* sweater that are being exchanged. And second: If you don't accept the second part of my analysis, aren't you then saying in effect that indifference *is* and *can* be demonstrated by action? And how do you reconcile *this* with Murray Rothbard's *dictum* (on which we agree) that "indifference can never be demonstrated by action"?

*H:* First off, I am of course not saying that the second part of your analysis of our exchange is incorrect *under all circumstances*. If you had one note that you regarded as distinct (heterogeneous) from all of your other notes, and I had a sweater that I regarded as distinct from all of my other sweaters, then it would be entirely correct for you to say that our exchange demonstrated your preference of my sweater to this one particular note (as compared to all of your other notes). But by assumption, this is *not* the situation we are supposed to analyze. Rather, the question is whether or not your analysis is correct if, as *per* assumption, you have affirmed that you consider all of your notes as *non*-distinct, homogeneous, and equally serviceable in the pursuit of some given end.

Now to your question: I reject the second part of your analysis, because it involves a contradiction, as I have just explained again. *If* you consider the notes as homogeneous, *then* the correct description of our exchange is that *a—any one—*note has been exchanged against *a—any one—*sweater (but not: *this* note against *this* sweater); and this logically implies that, in fact, it happens to be one particular note that is being exchanged against one particular sweater. So there *is* no problem regarding your first quarrel.

*B:* Yet how about the more serious second problem I have with your analysis?

*H:* That problem is readily solved, too.

Not everything that behaviorally "happens" is the result of a *choice* (my original reference to Searle was intended to make precisely this point). If I choose to walk from point A to B, for instance, this walk must begin (and end) with either my left foot or my right foot; that is, behaviorally, my walk can be described as either left-right-left-right, and so on, or as right-left-right-left, and so on. But while this or that particular sequence of steps *may* be the result of a deliberate choice on my part, it *needs* not be so (and it typically isn't). It may just "happen" to be this sequence rather than that without me *choosing* either one (i.e., demonstrating a preference of one lead-leg over the other). How do we determine what is the result of choice and what isn't? Obviously, not by mere "observation." Rather, we must inquire of the actor in order to reach a (correct) description of his action. Did he *choose* to put his left or his

right foot down first or did it merely *happen* that it was one foot rather than the other? The answer depends on the correct description of the action in question; and what is or isn't the correct description of the action depends on the perception and conceptualization of the action by its very actor: on his description of *his* goal and *his* means available to satisfy this goal.

This applies also to the case at hand. It is incorrect to infer, as you do, from the mere *fact* that one particular note is being exchanged against one particular sweater that this must be the result of a *choice*. It may well be a *coincidence*, and the choice was actually one of *a—any one—*note against *a—any one—*sweater. What is or isn't the case depends on *you*, on *your* description of *your* action. And what *is* the description that you have given of your action? You have stated that you gave up one note viewed as equally serviceable to several other notes in exchange of a sweater. Yet to state this is to say that you did not *choose* between one note and another (notwithstanding the fact that one particular note must have been factually selected).

*B:* Yet how can you reconcile this analysis with Rothbard's *dictum*?

*H:* Quite easily; for this is how Rothbard continues his statement: "*if* a person is really indifferent between two alternatives, then he cannot and will not *choose* between them" (my emphases). Note that Rothbard does not say here that there is no such thing as indifference. To the contrary, his statement clearly implies that he thinks there is—only that if and insofar as there is indifference, then no choice is involved. This is exactly what *I* am saying: if you are indeed indifferent toward your notes, i.e., if you believe each of them to be equally serviceable in the pursuit of some given end, then you do not *choose* between them; and that you do not *choose*, because you regard your supply of means as homogeneous, can even be *verified*. For if you are indeed indifferent, then you would be willing to allow *me* (or any third party) to select the note that you are willing to give up in exchange for a better-liked sweater; and this is to say, quite literally, that *you* did *not* choose between your notes. If a choice was made at all, it was a choice made by *someone else*. Insofar as *you* are concerned, *your* choice is one between *a—any one—*note and a sweater.

*B:* So what, then, is the role of "indifference" in economic analysis?

*H:* Whenever we act, we employ means to achieve a valued end. This end is a state of affairs that the actor prefers to the actual (and impending) state of affairs. Both states of affairs, at the beginning of action and at its conclusion, are constellations of means (goods) at an actor's disposal, describing the circumstances or conditions under which he must act. On the one hand, *indifference* is part of the *description of such circumstances and conditions* (the start- and end-points of action). On the other

hand, *preferences (choices)* explain the *change* in these circumstances that an actor wants to achieve through the disposal of means. Any complete analysis of action must involve both: a description of the start- and end-point of action as well as an explanation of the change occurring from one point to another due to preference-demonstrating action. Both concepts: preference *and* indifference are therefore necessary and complementary parts of every economic (praxeological) analysis.

To explain: The world we human actors must deal with is a world of means (goods). More particularly, it is a world made up of heterogeneous goods. Not every good is suited to reach the same end. We do not inhabit a world made up of some “wonderdough” or “manna” that is equally well-suited to satisfy every conceivable human end. Instead, some goods can satisfy some ends but not others (or not equally well). On the other hand, we also do not live in a world made up exclusively and entirely of heterogeneous goods, such that each particular good can satisfy one and only one specific end. Rather: Our—the *real*—world is characterized by heterogeneity *and* homogeneity: by heterogeneous goods composed of multiple (enumerable and quantifiable) *homogeneous units*, such that each unit is capable of bringing about the same desired end-effect.

Accordingly, every praxeological analysis must begin and end with “indifference” (homogeneity). Every analysis must begin with a description of the starting-point of action; and this involves a specification of the present supply-constellation of *homogeneous units* of *heterogeneous goods* at an actor’s disposal. This is where *indifference* (homogeneity) first comes into play. Second, every analysis must then explain the change in this constellation that an actor wants to effect by disposing of (some of) these goods in exchange for other more highly valued ones. Here *preference* enters the scene. Finally, at the conclusion of every analysis must be a description of the results of action (which are at the same time the initial conditions for the *following* action); and this description again must be about a (new and different) supply-constellation of homogeneous units of heterogeneous goods (resulting in a new and different value-scale of the actor).