

Toward a reconstruction of austrian welfare economics

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Abstract:

The paper argues that Austrian School has great contributions to welfare economics, particularly in criticizing welfare economics based on utility measurement. The most important contribution is the Cuhel-Mises theory of value, which shows that value is subjective phenomena and cannot be expressed in cardinal terms. Value can only be ranked in ordinal terms. Alternatively, by basing normative postulates on scientific grounds Mises proposed to analyze them in positive terms. This, however, is a good tool in discussing ideas, not in proposing a policy per se. On the other hand, Rothbard's extreme laissez faire solution (the concept of "demonstrated preference") is not complete. The paper suggests that welfare economics is possible via Hoppean theory of ethics and that only through this property rights perspective, is welfare economics based on the concept of "demonstrated preference" possible.