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THE PROBLEM OF PROPERTY IN THE AUSTRIAN SCHOOL OF ECONOMICS

The issue of property and ownership has been discussed in many economic doctrines. The authors' intention is to examine property in terms of the Austrian School of Economics. Ownership is here regarded as an integral part of freedom, whereby the owner of a particular good has an unrestricted right to use it. In the economy of most importance is private property which is unhampered by any restrictions. It is just on its foundations that any economic system should be based.

The authors of this study attempt to verify a hypothesis that any restrictions on private property contribute to a reduction in economic efficiency. Analysis of the problem is carried out based on the views of eminent representatives of the School. Most of the attention will be devoted to the thought of F. von Hayek and L. von Mises.

Keywords: *private property, liberalism, Austrian School of Economics, economic efficiency.*

Problems of property are the subject of discussion and concern to many economic doctrines. In the Austrian School property is considered as an inseparable part of freedom, and according to this idea the owner of some specific good has an unrestricted right of disposing it. In economy of greatest importance is private property which is unimpeded by any restrictions. It is on this property that the economic system should be based.

This study is an attempt at analysis of property as expressed by L. von Mises (1888–1973) and F. von Hayek (1899–1992), who are thought by many economists to be the most eminent representatives of The Austrian School. Their view on property may be resolved to the following thought: any restrictions on private property contribute to the decrease in the economic efficiency.

PROPERTY IN SOCIAL SCIENCES

Property is a concept which attracts interest of representatives of different social sciences. Among others, philosophers, lawyers, sociologists, representatives of the Church and economists deal with the analysis of the category of property. This makes one say that it can be analysed in many dimensions. It is worth noticing that considerations on property often have an interdisciplinary character.

In the commonly available encyclopaedic entries the concept of property appears in two interpretations: the philosophical and the legal one.¹ In its philosophical interpretation property is the most complete power of using and disposing of things which one can have over them. In philosophical sciences two approaches can be distinguished and it should be said that property existed before any legal and political system was created. An argument for such a claim is a reference to self-possession which precedes any legal norms and pointing to distinguished kinds of property. For centuries now there has been a dispute going on concerning the nature of property. J. Locke (1632–1704) thought that ownership derives from the nature of property as a consequence of freedom, which is part of human being's essence. J. Bentham (1748–1832), in turn, claimed that ownership is the result of laws made. An argument for such a conviction is that ownership assumes existence of legal regulations and of a guarantor of their observance thanks to political institutions.

On the grounds of law, property should be discussed as an economic law. The Constitution of the Republic of Poland guarantees to every man the right of property, the right to inherit and other material laws, which are equally protected by law. If any restriction of property occurs, it results from the bill and concerns only this extent in which it does not violate the essence of the property law. In civil law, the guarantee of property laws can be found in Article 140 of the Civil Code,² according to which an owner can use things while other persons are excluded from this use. This means the possibility of using an object of property according to its social and economic destination, which includes making profit and other income from this thing and the possibility of disposing of it. This does not mean that property rights are absolutely unrestricted. The

¹ Legutko Ryszard, *Własność* [Ownership], [in:] *Encyklopedia powszechna PWN*, Wydawnictwo Naukowe PWN, Warszawa 2004 (e-edition).

² *Ustawa z dnia 23 kwietnia 1964 roku Kodeks cywilny* [Act of 23 April 1964. Civil Code] (Dz.U. Nr 16, item 93).

civil code allows the use, damage or destruction of a thing by another person when there is a necessity to avert a disaster threatening directly personal or material goods of this person or third persons, but it involves the right to demand the repairing of the damage done.

In sociology, property is thought to be the central attribute of capitalist societies. It is assumed that the first attempt at a methodical explanation of the concept of property was undertaken by Karl Marx (1818–1883), who emphasised the relationship between possession, political rule and ideologies. According to Marx, property is a power the various forms of which determine the social conditions of existence on the basis of which develops the superstructure of a state, civic society and ideology. Later on, M. Weber (1864–1920) claimed that property is the main element which influences class position, at the same time recognising differentiation of the class of proprietors. This observation opened the question, which dominated the contemporary sociological discussion of the problems of property. It no longer concerns ideology of property and social organisation of the strata of proprietors. It focuses on the way in which property creates social relationships, and what is its impact on the formation of social identities.³ Property allotted to concrete persons defines their situation in the social structure.

An interesting approach to the problems of ownership is that of the Catholic Church. Pope Leo XIII (1810–1903) in his encyclical *Rerum novarum*, published in 1891, said that ownership is a human being's right to individual possession and a manifestation of his freedom.⁴ John Paul II (1920–2005) also referred to the question of ownership during his pontificate. In his encyclical *Laborem exercens*, published in 1981, a postulate appears that property should be properly used for the benefit of people.⁵ Ten years later in his encyclical *Centesimus Annus* John Paul II wrote:

It is not wrong to want to live better; what is wrong is a style of life which is presumed to be better when it is directed towards "having" rather than "being", and which wants to have more, not in order to be more but in order to spend life in enjoyment as an end in itself.⁶

³ Marshall Gordon (Ed.), *Dictionary of Sociology*, Oxford University Press, Oxford — New York 1998, pp. 532–533; see also: Saunders Peter, *A Nation of Home Owners*, Unwin Hyman, London 1990 — this work is a sociological study on the meaning of property.

⁴ Leo XIII, *Rerum novarum*, 1891.

⁵ John Paul II, *Laborem exercens*, 1981.

⁶ John Paul II, *Centesimus Annus*, 1991, chapter IV, paragraph 36.

Using these words, the Pope showed distinctly his attitude to the question of property in the socio-economic life.

Economists define property as a foundation of all social relations. Property is here resolved to relationships that obtain between people. They rise as a result of existence in a definite place and time of various forms of ownership of economic resources, among which the most important role is that of ownership of the means of production. As O. Lange (1904–1965) wrote:

The ownership of the means of production is the social relation on which the entire complex of human relations developed in the social process of production is based. For it is the ownership of the means of production which decides the ways in which they are used and which thereby determines the forms taken by co-operation and the division of labour.⁷

As emphasised by M. Iwanek and J. Wilkin, ownership in the economic dimension is a number of entitlements which belong to the owner in relation to the object of ownership which can be either a material or nonmaterial good,⁸ which defines conditions of ownership, usage and disposal of a given object. In modern economy there are different kinds of property. We can distinguish private property, common property, and state (public) property. The main form of property in a given economy exerts a significant influence on the characteristic features of the economic system of every country. Nowadays, most economists are inclined to consider private property as this form which brings the most profit to the economy. When fathoming the history of world economy, one comes to a conclusion that such a view is right. Among the great advocates of private property are L. von Mises and F. von Hayek.

L. VON MISES' INTERPRETATION OF PROPERTY

The thoughts of the distinguished economists of the Austrian School will become more lucid when we make some references to their works, which were determined by particular events in their lives. L. von Mises was born in 1881 in Lvov. He studied law and economics

⁷ Lange Oskar, *Political Economy*. Vol. I, *General Problems*, Polish Scientific Publishers, Warsaw 1963, pp. 16–17.

⁸ Iwanek Maciej, Wilkin Jerzy, *Instytucje i instytucjonalizm w ekonomii* [Institutions and Institutionalism in Economy], UW WNE, Warszawa 1998, p. 99.

at the University of Vienna, where he obtained a doctorate at the age of 25. His spiritual master was the founder of the Austrian School, C. Menger (1840–1921). Mises also participated in E. von Böhm-Bawerk's (1851–1914) seminar. His output was 25 books and more than 250 scientific articles. His students, W. Röpke (1899–1966) and L. Erhard (1897–1977), drove Germans onto the road to freedom and became authors of the “economic miracle.” In Italy, Mises' friend and imitator L. Einaudi (1874–1961) as president led a victorious battle with the communist coup. In France, his student, J. Rueff (1896–1978) — an adviser of Charles de Gaulle (1890–1970) — fought for sound money and free markets.⁹

L. von Mises appears to be an outstanding apologist of capitalism and a zealous critic of socialism in the 20th century. It is worth noting that he was either a teacher or an intellectual mentor of many eminent representatives of the Austrian School, including F. von Hayek and M. Rothbard. As the most important representative of Austrian thought, he was valued by the main liberal politicians, and his ideas were reflected in governmental programmes in the 1960s, 70s and 80s in Western Europe and in the United States. The words of R. Reagan (1911–2004), which are found in the Polish edition of his opus magnum *Human Action*, are of importance. This great president said about him:

Ludwig von Mises was one of the greatest economic thinkers in the history of Western Civilisation. Through his seminal works, he rekindled the flames of liberty. As a wise and kindly mentor, he encourages all who sought to understand the meaning of freedom. We owe him an incalculable debt.

Freedom and property seem to be the problems that were especially close to Mises. In many of his works he analysed property, which is based on the challenge of freedom. L. Mises treats ownership as a basis of economic policy and foundation of organisation of the society along with freedom, peace, tolerance and so on. As Mises wrote:

the program of liberalism, (...) if condensed into a single word, would have to read: *property*, that is private ownership of the means of production (for in regard to commodities ready for consumption, private ownership is a matter of course and is not disputed even by the socialists and communists).¹⁰

⁹ <http://mises.pl/48/48/> (date of access: 29.04.2010).

¹⁰ Mises Ludwig von, *Liberalism in the Classical Tradition*, Foundation for Economic Education — Cobden Press, New York–San Francisco 1985, p. 19.

According to him the other postulates of liberalism result from this fundamental principle. If we adopt the assumption made by Mises, it is not difficult to agree with his observation that private property of means of production is the keystone of every civilisation. However, he noticed that there is no government which would willingly allow an unrestricted development and influence of private property if there were not such a necessity.¹¹ It seems that this results from the natural tendency to abuse political power, and this even by liberal politicians. However, the good reason of those in power demands from them to accept private property.

Private property creates for an individual a sphere in which he or she is independent of the state. It limits the influence of authoritarian will. It allows other powers to appear beside and in opposition to political power. In this way it becomes the basis of all these activities which are free of the armed interference on the part of the government. It is a soil in which seeds of freedom grow and in which is rooted an individual's autonomy, and ultimately the whole intellectual and material progress as well. In this sense we can even speak of it as a fundamental condition of the development of an individual.¹² In view of this there is a question whether an individual deprived of property can develop.

Mises also looks for moral justification for private property and a social order based on it. According to him:

Morality consists in the regard for the necessary requirements of social existence that must be demanded of each individual member of society. (...) Everything that serves to preserve the social order is moral; everything that is detrimental to it is immoral.¹³

Mises claimed that if some institution is profitable for the society then it cannot be said that it is immoral. The core of morality of private property is in its usefulness. And here is Mises' philosophy of property. Private property serves society best since it is its owner who takes the trouble of engaging everyday in the social process of production. This process would collapse without private property, and organisation of society would collapse, too.¹⁴ L. Mises' words on the last pages of *Interventionism* are so characteristic of him:

¹¹ *ibidem*, p. 67.

¹² *ibidem*.

¹³ *ibidem*, pp. 33–34.

¹⁴ *ibidem*, p. 33.

If there is anything history could teach us it would be that no nation has ever created a higher civilisation without private ownership of the means of production and that democracy has only been found where private ownership of the means of production has existed.¹⁵

His views are not criticised at present. However, popularisation of these ideas in his time was quite often met with misunderstanding, most of all due to the dominance of the Keynesian doctrine, which was rooted in the economy after World War II. Also the rise of socialist economies was not propitious to the dissemination of Mises' thoughts. Their ideology rejected private property of means of production. Social property became the logic of existence of the socialist system.

It seems obvious that private property of means of production is the fundamental institution of market economy. Private property means that the way in which some definite means of production are used is determined by their owner. According to Mises, each owner is either a direct or indirect inheritor of those who acquired the property through the unauthorised appropriation of *res nullus* or taking them away by force from their previous owners.¹⁶

Economic significance of property is not uniform.¹⁷ Mises distinguishes property of the means of production and those of consumption as well as disposable and reusable goods.

At present private property is not related to its former origin since consumers decide everyday about who should be the owner and how much he should own, they just allocate the possession of means of production. Thus the owners are plenipotentiaries of consumers. In the market system owners of the capital and of land may use their property only through its use to satisfy the needs of other people.¹⁸ In market economy, Mises sees the harmony between consumers' interests and those of the owners of resources. Consumers dictate the manner of allocation of resources, which actually creates a harmony of interests and the institution of private property stimulates this harmony and allows participants in the market to maintain it.¹⁹

¹⁵ Mises Ludwig von, *Interventionism. An Economic Analysis*, The Foundation for Economic Education, New York 1998, pp. 92–93.

¹⁶ Mises Ludwig von, *Human Action*, p. 682.

¹⁷ Mises Ludwig von, *Socialism. An Economic and Sociological Analysis*, Yale University Press, New Haven 1962, p. 37.

¹⁸ Mises Ludwig von, *Human Acti*

¹⁹ Cf. Kirzner Israel, *Mises and Hi*
Fall 1999, Vol. 19, No. 2.

In the socialist system means of production are a public property and the government decides what and how should be produced and it divides consumer goods among members of the society.²⁰ Socialism means a transfer of the means of production from private persons to become the property of an organised society, i.e. the state.²¹ Mises observes that the development of socialism did not occur through formal transfer of property onto the state. According to him also restriction of an owner's rights is a means of socialisation. The owner may be left with only an empty name while property itself will be in the possession of the state.

Thus the social purposefulness or social justice, being the basis of socialist reasoning is an attempt to achieve as much equality in the division of commodities as possible. Everybody should own a certain minimum, no one should own more than a certain maximum, all should possess more or less the same amount. Mises saw the danger in the system which postulated the elimination of private ownership of means of production and replacing it with a common property.²² It appears that he had been a master in anticipating the outcome of the socialist system long before an attempt was made to make the Central-Eastern Europe a bastion of backwardness for the sake of "common property." We cannot speak of property if there is no freedom. Mises claimed that freedom refers merely to interpersonal relations. He rejected the view of the natural freedom in the state of nature which was limited by the freedom of the stronger. He acknowledged the sense of freedom only in the context of a social system. However, to ensure social order requires the use of means that would prevent antisocial individuals from perpetrating acts that would disturb this order. As Mises proves, freedom in a market economy consists in the freedom of choice between various ways of acting without the risk of being punished. Government, on the other hand, should confine itself to the protection of people against violence and cheating on the part of antisocial individuals. If it transgresses this boundary, it will restrict the sphere of freedom of individuals.²³

[Man] is free in the sense that the laws and the government do not force him to renounce his autonomy and self-determination to a greater extent than the inevitable praxiological law does.²⁴

²⁰ Mises Ludwig von, *Interventionism...*, pp. 6–7.

²¹ Mises Ludwig von, *Socialism...*, p. 56.

²² *ibidem*, pp. 50–52.

²³ Mises Ludwig von, *Human Action...*, pp. 279–280.

²⁴ *ibidem*, p. 281.

Private property of means of production is not a limitation of freedom. It is a means which transfers to a common man, acting as a buyer, supervision of the course of market processes. It stimulates the most enterprising individuals in a given society, who use their own skills and this way they care about the interest of the whole community.²⁵ Mises does not believe in the possibility of reconciling a different logic of functioning of two systems, the market and the socialist. They can never be confounded with one another; they cannot be mixed or combined; no gradual transition leads from one of them to the other; they are mutually incompatible.²⁶ There is no mixed economy. If beside private property there is public property of some means of production then the system is still the market system providing that the private and public sector have not been totally separated and that it is not of an autarkic character.²⁷

This doctrine and the policies of individualism and of capitalism, its application to economic matters, do not need any apologists or propagandists. The achievements speak for themselves.

The case for capitalism and private property rests, apart from other considerations, also upon the incomparable efficiency of its productive effort. It is this efficiency that makes it possible for capitalistic business to support a rapidly increasing population at a continually improving standard of living. The resulting progressive prosperity of the masses creates a social environment in which the exceptionally gifted individuals are free to give to their fellow-citizens all they are able to give. The social system of private property and limited government is the only system that tends to debarbarise all those who have the innate capacity to acquire personal culture.²⁸

Mises' works constitute an unending endeavour to reinforce the theory of capitalism based on the idea of private property. And the attributes of this ownership are ethic, freedom, justice, struggle with the State's attempts to control economy, and conservatism.

F. VON HAYEK'S CONSIDERATIONS ON PROPERTY

F. von Hayek is one of the best known and valued economists world-wide, and no doubt the most eminent contemporary Austrian

²⁵ Mises Ludwig von, *Liberty and Property*, Sec. 7 (<http://mises.org/libprop/lpsec6.asp>)

²⁶ Mises Ludwig von, *Human Action*, p. 716.

²⁷ *ibidem*.

²⁸ Mises Ludwig von, *Liberty and Property*, Sec. VI (<http://mises.org/libprop/lpsec7.asp>).

economist.²⁹ Hayek was born in 1899 in Vienna. He studied at the University of Vienna and read law, economics, psychology and political science. He took part in seminars organised by F. von Wieser (1851–1926), E. von Böhm-Bawerk and L. von Mises. At 22 he was awarded the degree of doctor of law and at 24 that of doctor of political science. His scientific achievements gained appreciation in 1974 when the 75-year-old Hayek received the Nobel Prize. The ideas in the field of politics he promulgated were used among others by L. Erhard, R. Reagan and M. Thatcher. This Nobel Prize winner's contribution in the field of economics is very rich and complex. In his considerations this outstanding scholar devoted a lot of attention and effort to the problems of ownership. Hayek should be recognised as a critic of state property³⁰ and a great supporter of private one.

According to Hayek, concentration of property in the hands of the state is unnatural and may lead capitalism to the development of a totalitarian system, among others, to socialism, which should be fought by a liberal system, e.g. various forms of capitalism. In his works, especially in *The Road to Serfdom*, Hayek warns against the dangers of the planned economy. He writes as follows:

What these people [socialists] forget is that in transferring all property in the means of production to the state put the state in a position whereby its action must in effect decide all other incomes. (...) To believe that the power which is thus conferred on the state is merely transferred to it from others is erroneous. It is a power which is newly created and which in a competitive society nobody possesses. So long as property is divided among many owners, none of them acting independently has exclusive power to determine the income and position of particular people nobody is tied to him except by the fact that he may offer better terms than anybody else.³¹

In a conversation with G. Sorman, he emphasises that socialism is a nostalgia for the archaic society, for the tribal solidarity. The pre-

²⁹ *Hayek on Hayek: An Autobiographical Dialogue*, Kresge Stephen, Wenar Leif, (Eds) Liberty Fund, Indianapolis 2008; Godłów-Legiędź Janina, *Doktryna społeczno-ekonomiczna Friedricha von Hayeka* [Socio-economic Doctrine of Friederich von Hayek]. Wydawnictwo Naukowe PWN, Warszawa 1992.

³⁰ As a young student Hayek has been charmed by the ideas of planned economy. At the end of his studies, under the influence of L. von Mises, he began to perceive the errors of the socialist idea and became "radical anti-socialist," who warned throughout all his life against all forms of command economy: Köhler Barbara, *Friedrich August von Hayek 1899–1992. Der Schrecken der Sozialisten*, [in:] Lüchinger René, (Ed.) *Die zwölf wichtigsten Ökonomen der Welt. Von Smith bis Stiglitz*, Orell Füssli Verlag, Zürich 2007, pp. 115–132.

³¹ Hayek Friedrich von, *The Road to Serfdom*, Routledge, London and New York 2006, pp. 107–108.

dominance of the liberal economic systems over socialism is not, according to him, a question of sensitivity or personal choice, but it has been objectively attested and confirmed by the development of mankind. There where individual initiative is free, where there is private property which is unbounded by anything, social, economic, cultural and political progress of civilisation is better seen in relation to the results obtained in oppressive (planned and centralised) societies.³²

K. Kostro, an outstanding authority on the scientific achievements of Hayek, writes:

The institution of property as a legal principle, which defines and regulates material dependences between man and a set of elements of his natural and artificial environment is, in Hayek's opinion, a foundation of freedom and spontaneous order in the society. All private property should be considered as an inviolable one while the principle of its respect as the law possibly best protected by the state.³³

According to Hayek, the state beside the traditional functions, which it must realise, should also guard private property, and its tasks should be focused on executing law and shaping it (laws are the evolutionally formed rules of just behaviour, and not every expression of will by the legislative body), in such a way as to enable a correct (efficient) function of market mechanism.³⁴ In Hayek's opinion, private property, appropriately adapted into market mechanism allows an individual to make rational decisions, which make it possible to realise one's own interests, and what follows also interests of the whole society. Only free market can stimulate people to taking actions which are socially desirable without any pressure on the part of authorities. As K. Kostro thinks, it is a manifestation of market competition recognised by Hayek and being a tool of effective exchange and factor creating and maintaining social order.³⁵

Like Mises, Hayek made freedom one of the main categories of economic analysis and considered it as a motor of socio-economic

³² Hayek Friedrich August von, *Les libéraux doivent être des agitateurs*, [in:] G. Sorman, *Les vrais penseurs de notre temps*, Arthème Fayard, Paris 1989, chapter 8.

³³ Kostro Krzysztof, *Hayek kontra socjalizm. Debata socjalistyczna a rozwój teorii społeczno-ekonomicznych Friedricha Augusta von Hayeka* [Hayek versus Socialism. A Socialist Debate and the Development of Socio-economic Theories of Friedrich August von Hayek], Wydawnictwo DIG, Warszawa 2001, p. 145.

³⁴ Godłów-Legiędź Janina, *Doktryna społeczno-ekonomiczna...* [A Socio-economic Doctrine], p. 83.

³⁵ Kostro Krzysztof, *Koncepcja sprawiedliwości F.A. von Hayeka* [F.A. von Hayek's Concept of Justice], [in:] Wilkin Jerzy (Ed.), *Efektywność a sprawiedliwość* [Effectiveness and Justice], Wydawnictwo Key Text, Warszawa 1997, pp. 80–81.

development. It can be seen in *The Constitution of Liberty* that he became an apologist of individual freedom and of economic freedom, especially in the face of the growth of significance of socialist ideas. In Hayek's work an important problem is individualism understood as respect of an individual and of his preferences. On the other hand, he identifies society with a set of an infinite number of human individuals who, while realising their own goals, increase the welfare of the whole society.³⁶

In Hayek's thought, an inseparable attribute of freedom is responsibility for actions undertaken, both in the sphere of choices as well as in the results of their realisation.

Responsibility, to be effective, must be individual responsibility. In a free society there cannot be any collective responsibility of members of a group as such, unless they have, by concerted action, all made themselves individually and severally responsible. A joint or divided responsibility may create for the individual the necessity of agreeing with others and thereby limit the powers of each. If the same concerns are made the responsibility of many without at the same time imposing a duty of joint and agreed action, the result is usually that nobody really accepts responsibility. As everybody's property in effect is nobody's property, so everybody's responsibility is nobody's responsibility.³⁷

Apart from freedom and responsibility an important virtue, which has an influence on the institution of freedom, in Hayek's opinion, is justice, which determines principles of behaviour for individuals. These principles should be in agreement with moral and ethic norms, which are universally obligatory in the society and which undergo evolution. The principles of justice, interpreted in such a way, according to this Nobel Prize winner, are indispensable for the functioning of the spontaneous social order. As it is, they eliminate unacceptable actions and guard freedom and property. It is worth adding that for Hayek the question of justice is related with the problems of effectiveness. In his opinion, as the most effective should be considered systems based on the market mechanism the functioning of which is in turn based on the domination of private property.³⁸

Hayek should be considered as a great ambassador of private property. He writes about it in the following way:

³⁶ Hayek Friedrich August von, *The Constitution of Liberty*, University of Chicago Press, Chicago 1978.

³⁷ *ibidem*, p. 83.

³⁸ More on the subject see: Kostro Krzysztof, *Koncepcja sprawiedliwości...* [A Concept of Justice], pp. 73–99.

What our generation has forgotten is that the system of private property is the most important guarantee of freedom, not only for those who own property, but scarcely less for those who do not. It is only because the control of the means of production is divided among many people acting independently that nobody has complete power over us, that we as individuals can decide what to do with ourselves. If all the means of production were vested in a single hand, whether it be nominally that of "society" as a whole, or that of a dictator, whoever exercises this control has complete power over us.³⁹

In his conviction, recognition of either the private or personal property is a fundamental condition for preventing coercion. It does not often happen that a plan of actions is constructed when there is an uncertainty as to whether the subject to which the plan pertains is at our own exclusive disposal. In the opposite situation one should have an orientation about who has it at his disposal and to what an extent he is inclined to cooperate in order to realise a common enterprise. Hayek suggests that acknowledgement of property is undoubtedly a very important step in determining the boundaries of the private sphere, which will protect us against coercion. When referring to history, this economist emphasises that a nation who opposes the institution of private property is deprived of liberty, and subjects who limit their own personal ownership are an impediment to the development of civilisation. He also remarks that the foundation of freedom as a legal rule, which defines material interdependences between man and elements of his natural and artificial environment is taking care of making order in the sphere of action, in the direction which will bring profits to particular individuals.⁴⁰

Hayek emphasises that:

In modern society, however, the essential requisite for the protection of the individual against coercion is not that he possesses property but that the material means which enable him to pursue any plan of action should not be all in the exclusive control of one other agent. It is one of the accomplishments of modern society that freedom may be enjoyed by a person with practically no property of his own (beyond personal belongings like clothing — and even these can be rented) and that we can leave the care of the property that serves our needs largely to others. The important point is that the property should be sufficiently dispersed so that the individual is not dependent on particular persons who alone can provide him with what he needs or who alone can employ him.

That other people's property can be serviceable in the achievement of our aims is due mainly to the enforceability of contracts. The whole network of rights created

³⁹ Hayek Friedrich August von, *The Road to Serfdom*, Routledge, London and New York 2006, p. 108.

⁴⁰ Hayek Friedrich August von, *The Constitution of Liberty*, p. 140.

by contracts is as important a part of our own protected sphere, as much the basis of our plans, as any property of our own. The decisive condition for mutually advantageous collaboration between people, based on voluntary consent rather than coercion, is that there be many people who can serve one's needs, so that nobody has to be dependent on specific persons for the essential conditions of life or the possibility of development in some direction. It is competition made possible by the dispersion of property that deprives the individual owners of particular things of all coercive powers.⁴¹

Hayek thinks that existence of property rights requires an appropriate justification due to this that many contemporary institutions are far from being perfect. Recognition of the private property principles as obvious ones is highly unsatisfactory. Their very acceptance does not mean that they assume a final and most proper form (e.g., the form which allows the best possible functioning on the market). Property rights require constant changes, especially where their content is concerned. It appears that this is indispensable, particularly in the context of existence of many possibilities of interpretation of property rights.⁴²

This Nobelist claims that there is no possibility to define precisely the process of improvement of the institution of property. He stresses that its evolution is indispensable, especially in the cultural and moral sphere. At its basis property is a product of customs. He also emphasises the significance of legislation, which over centuries has developed the institution of property. Thus, there is no reason to consider the forms with which we have to do as the ultimate ones.⁴³

An important observation that appeared in Hayek's work⁴⁴ is the recognition of the enormous role of the development and improvement of the system of property rights — of the new institutional economy (especially the property rights school whose representatives are among others R.H. Coase, A.A. Alchian, H. Demsetz, S. Pejovich). The results of analyses conducted by the theorists of property rights create a basis of improving the legal structure of the market order.

F. von Hayek as a great supporter of private property exerted an enormous influence on the development of the liberal doctrine in economics. Being an inquisitive observer of phenomena in the field of

⁴¹ *ibidem*, pp. 140–141.

⁴² Hayek Friedrich August von, *Individualism and Economic Order*, The University of Chicago Press, Chicago 1980, pp. 107–118.

⁴³ Hayek Friedrich August von, *The Fatal Conceit. The Errors of Socialism*, The University of Chicago Press, Chicago 1989, pp. 35–36.

⁴⁴ *ibidem*, p. 36.

economy, he became a model of analyst for many generations of economists.

CONCLUSION

In the theory of economy property is the subject of scientific analyses of many researchers who represent different research trends. Most of them are convinced that private property of means of production is a factor of the growth of economic efficiency and its existence brings the society best economic results.

Authors of this study focused their attention on two eminent figures of the Austrian School of Economics, L. von Mises and F. von Hayek, and their aim was to popularise their outstanding scientific achievements which are used by almost every citizen of Europe. In Mises' and Hayek's works appear many now unquestioned arguments for private property of means of production. However, at the time when these ideas were being developed, many economists were fascinated with socialist conceptions in which little space was devoted to private property. In view of this, the perseverance of the two Austrians should be even more appreciated in the fostering of economic liberalism, especially when the questions of the role of private property in economy and its inherent attribute — liberty — are concerned.

Private property is conducive to the development of economy. It is also a fundamental condition of the development of an individual. Thanks to private property an individual is independent of the state, adopts enterprising attitude (any of its limitations may lead to the development of inefficient spheres of action). The essence of permanence of private property should be making its importance greater, which should occur under conditions of continuous improvement of property rights and existence of an unfettered market economy system.

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