

## A COMMENT ON DR. HOWDEN'S REVIEW OF *FINANCE BEHIND THE VEIL OF MONEY*

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Dr. Howden (2015) has done me the honor of reviewing my recent book *Finance behind the Veil of Money* (Braun, 2014) in this journal. Many of the points he raises are very helpful to the potential reader. He is probably correct in stating that the book is not an easy read. Its origin as a doctoral thesis explains why no theoretical obstacles were avoided, even those that might be cumbersome for the general reader. When Dr. Howden takes issue with my analyses of the opportunity cost concept and the time preference theory of interest, he also touches points that are of interest to potential readers. In both cases, I elaborate on minority positions within the Austrian School—I follow Dr. Reisman on opportunity cost and Dr. Hülsmann on interest theory. I expected that my discussion of these topics would arouse opposition, or better, I had the desire that it would because, in my opinion, they are yet to be satisfactorily resolved.

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My need to comment on Dr. Howden's review, however, has to do with the fact that he misrepresents my position on a point that is central both in my book and in his review. On p. 580, he gives an extended quotation from my book. In this quotation, I supposedly argue, in the context of the theory of interest, that all actions must be called consumption and that the separation between productive and consumptive activities is unnecessary. Dr. Howden then goes on to remark that this position (which he imputes to me) cannot be reconciled with other parts of my book. On p. 582, he once again refers to this supposed contradiction.

One of the central arguments in my book is that the purchasing power of money should be understood only in relation to consumer goods, not to producer goods or capital goods. It would indeed be a stark incoherence if I argued that there is no difference between consumption and production and then went on to maintain that the distinction between them is essential for understanding the purchasing power of money. This is why I feel the urge to rectify Dr. Howden's account of what I am saying.

The quotation he presents as depicting my own position reflects nothing but a counter-argument to my position, which I am in the process of discussing and refuting. The paragraph from where Dr. Howden's quotation stems starts with the sentence: "Yet, this argument [made by others] is irreconcilable with the time-preference theory itself: it gives up the distinction between present and future goods" (Braun, 2014, p. 21). *It is not my own position that present goods and future goods are the same and that, therefore, consumption and production cannot be separated*; rather, it is the consequence of a counter-argument I am addressing.

Far from contradicting my later argument concerning the purchasing power of money, my analysis of the interest phenomenon introduces the methodological foundations for this argument. My point is that ordinary interest is the consequence of a praxeological phenomenon. In human action, psychic costs are only incurred if the actor expects his psychic revenues to exceed these costs. From this necessarily follows a value-spread between psychic costs and psychic revenues. I further argue that *psychic costs cannot be defined but by the sacrifice of consumer goods (including leisure time)*.

In my discussion of the purchasing power of money, I transfer this praxeological argument to the production process as conducted by business enterprises. The ultimate purpose of these enterprises (why they are founded in the first place) is not psychic, as in human action, but of a monetary nature. Otherwise, there is a close parallel between the two phenomena. In particular, money spent on the means of production—monetary costs—is valued by all participating parties, not in accordance with its power to purchase these means of production, but with its power to purchase *consumer goods*. They orient their actions on the basis of the prospect of monetary income and monetary profit because money guarantees their consumption, not because it allows them to command producer goods. These goods are only means, not ends, and are therefore only of indirect use.

I am not able to exhaustively display the entirety of my argument in only a few lines. What I want to stress, however, is that my book does not contain the contradiction Dr. Howden has pointed out in his review. Rather, the two supposedly inconsistent arguments actually dovetail and are closely related to each other.

## REFERENCES

Braun, Eduard. 2014. *Finance behind the Veil of Money: An Essay on the Economics of Capital, Interest, and the Financial Market*. Liberty.Me.

Howden, David. 2015. "Book Review of *Finance behind the Veil of Money: An Essay on the Economics of Capital, Interest, and the Financial Market*," *Quarterly Journal of Austrian Economics* 18, no. 4: 578–583.