

The Struggle for Liberty

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The Struggle for Liberty

A Libertarian History of Political Thought

Ralph Raico

A Series of Ten Lectures

Delivered at the Mises Institute, June 2004

**Edited with Annotations and Introduction
by Ryan McMaken**

**Foreword
by T. Hunt Tooley**

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RALPH RAICO (1936–2016) was professor emeritus in European history at Buffalo State College and a senior fellow of the Ludwig von Mises Institute. He was a specialist on the history of liberty, the liberal tradition in Europe, and the relationship between war and the rise of the state. He is the author of *The Place of Religion in the Liberal Philosophy of Constant, Tocqueville, and Lord Acton*, *Great Wars and Great Leaders: A Libertarian Rebuttal*, *Classical Liberalism and the Austrian School*, *The World at War*.

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CONTENTS

Foreword by T. Hunt Tooley	7
Acknowledgments	11
Introduction.	13
Lecture 1 The European Miracle	19
Lecture 2 Classical Liberalism	41
Lecture 3 John Stuart Mill	65
Lecture 4 Class and Conflict	89
Lecture 5 War, Peace, and the Industrial Revolution	113
Lecture 6 The New World of Capitalism	137
Lecture 7 The Anticapitalists	161
Lecture 8 The Planned Society	187
Lecture 9 The First World War	211
Lecture 10 Classical Liberalism and the Welfare-Warfare State	237
Bibliography	259
Index	273

Foreword

This book, which reproduces Ralph Raico's lectures on the history of liberalism at the Ludwig von Mises Institute, is many things. First and foremost, it is a delightful tribute to a brilliant historian—and fine human being. Raico's lifework encompassed a surprising range of scholarly activities: editor, lecturer, essayist, historian, and university professor. His massive knowledge and impressive mind were obvious to anyone who listened to his lectures, read his books and articles, or simply listened to his jokes and stories over dinner.

Ralph enjoyed a rare distinction in postwar America in that he studied extensively with both Mises and F.A. Hayek (he had already read *Human Action* at age fifteen!). During his sixty-five years as a student of liberty, he was closely affiliated with his longtime friend Murray Rothbard. Apart from Mises, Rothbard, and Hayek, Ralph knew many, many other prominent liberty-minded scholars and intellectuals: Lew Rockwell, Milton Friedman, George Reisman, George Stigler, David Gordon, Alberto Mingardi, Hans Hoppe—to name a few. With many of them he worked closely in one capacity or another.

His scholarly activities as a working historian constitute an impressive life's work. He wrote half a dozen books on libertarian ideas and history. His meticulous scholarship informed all of these. In particular, his work on nineteenth-century French and German liberalism was groundbreaking. Among the many insights he contributed to the school of Austrian economics and to the community of scholars of European history, his 1999 book *Party of Freedom: Studies on the History of German Liberalism* (published in German) stands as a remarkable historical contribution, rescuing, as it did, Eugen Richter and his circle

of hard-nosed, libertarian-minded German liberals (and opponents of Bismarck) after many decades of neglect by historians. The same careful crafting and scholarship informed his array of articles and essays on a vast range of topics (a search of the Mises website alone yields 138 items!).

Among many notable passages from these lectures, Ralph's brief comments on the personal styles of Mises and Hayek in disputation are especially interesting (lecture 6). Comparing the hard-nosed approach of Mises to the more "polite" style of Hayek in intellectual disputes, he concludes that Hayek's willingness to assume the best of his "opponents" tended to soften Hayek's arguments. Mises was famously perfectly willing to come out blazing in disputes. These comments appear in the context of Raico's specific discussion of capitalism and the intellectuals. But they cause me to remember sitting in many group discussions with Ralph. Despite his urbane kindness and wry wit, his approach was decidedly Misesian in serious discussions, both written and in person; like his mentor, Ludwig von Mises, Ralph was a lion in what the Middle Ages called disputation. Clearly, these lectures underscore the same fierce quality.

The volume at hand gives us vintage Ralph Raico in his roles of lecturer and professor. In these lectures he weaves together the daily life of the past, competing intellectual traditions, the history of the modern state, and the international background to create a broad and compelling narrative. He pulls no intellectual punches. But in these erudite talks, he presents to students a complex story in such a way that his mastery of learned disputes from a hundred, or from five hundred, years ago reaches us as living, breathing history.

Ralph's treatment of history itself—one might say, historiography—will be especially meaningful to students and practitioners of history—that is to say, historians. Having deeply internalized the precepts he found in Mises, his attention to the subjectivity of human action and individual choice, along with his emphasis on human liberty, provides the framework of every lecture. And his use of the tools of the historian (wide reading, intensive research, careful judgment of historical evidence) is displayed at every turn. More directly, his comments on revisionist history and the need for it (lecture 10) articulate the urgent necessity for the continual revision of the state's party line. May these comments, and more generally this book, inspire all of us who seek to interpret the past in ways which truly challenge the myths left behind by state actors and their apologists.

Finally, a note on the creation of this book. It is no easy task to translate the intricacies of spoken lectures such as these to the printed page. Ryan McMaken has done excellent work in bringing Ralph's informal, often very humorous, lecturing style to print. It is a fine book, supremely accessible, yet full of deep insights from Ralph Raico, the leading libertarian historian of his generation.

T. HUNT TOOLEY
Sherman, Texas

Acknowledgments

The starting point of this book was a series of recorded lectures, and that meant I needed quality transcripts of the lectures to begin work on the text. Assembling transcripts from lectures such as these is no easy task, however, and computer-generated transcripts simply did not provide the human touch necessary. After all, Raico's lectures are filled with a variety of names, places, and obscure foreign-language phrases that don't easily translate from the spoken word to the written word. Thankfully, transcriptionist Arlo Pignotti has saved me many hours of work by going the extra mile to make sure the early transcripts were not simply correct phonetically but included the correct spellings of names of theorists and historians from half a dozen foreign countries and languages.

I'd like to thank David Gordon for helping me track down some especially obscure source material and Judy Thommesen for providing essential editorial guidance and insight.

I must also note that this project would not have been possible without the encouragement and the many resources made available by Mises Institute president Tom DiLorenzo and by our founder Lew Rockwell.

Finally, I am grateful to my wife Jessica and our four children for giving me many reasons to care about the future. As Raico understood, if we want to make the future better, we must first learn about the past.

Introduction

It is appropriate, unfortunately, that Ralph Raico (1936–2016) begins this series of lectures with an anecdote about Lord Acton. Acton, as Raico notes, was an exceptionally erudite historian and a proponent of radical laissez-faire liberalism—also known as libertarianism. For all his extensive work as a historian, however—and although he had intended to do so—Acton did not leave behind a panoramic text detailing the history of the fight for freedom.

Similarly, Raico, who was himself a proponent of laissez-faire, and one of the great historians of freedom and free markets, did not complete any comprehensive historical tome of his own. Like Acton, however, Raico *did* produce many essays and lectures of note during a long career.

Raico was born in Italian Harlem in New York City in 1936 before moving to the Bronx where he attended the Bronx High School of Science. He attended Ludwig von Mises's New York University seminar, first in high school in 1953, and then for several years while pursuing undergraduate studies at the City University of New York. After completing his undergraduate work in 1959, he attended the University of Chicago, where he received his PhD in 1970. His dissertation committee was chaired by Friedrich Hayek, and his dissertation, titled "The Place of Religion in the Liberal Philosophy of Constant, Tocqueville, and Lord Acton," was an early example of Raico's penetrating interest in the history of political thought in Europe and the West. He translated Ludwig von Mises's 1927 German work, *Liberalismus*, into English in 1962, as well as various articles by Friedrich Hayek. Raico became a member of the Mont Pelerin Society, senior

editor of *Inquiry* magazine, associate editor of the *Independent Review*, and senior fellow of the Ludwig von Mises Institute. Raico was a professor of history at Buffalo State University for thirty-nine years until his retirement.

In 2003, Raico began to assemble these ten lectures at the urging of Mises Institute founder Lew Rockwell. Rockwell conceived of these lectures as part of a larger project to compile audio and video footage of the Institute's best scholars. Rockwell regretted the lack of audio and video recordings of the Institute's leading scholar, Murray Rothbard, who died in 1995. Determined to not repeat the mistake, Rockwell arranged for lectures by the Institute's faculty that were to be recorded and permanently preserved.

Raico chose as his topic "History: The Struggle for Liberty," and he set to work researching and arranging more than ten hours of material into a detailed analysis of the history of political thought. The lectures cover more than five centuries and explain the origins, the rise, the enemies, and the failures of the ideological movement known widely today as *classical liberalism*. Delivered at the Mises Institute in June of 2004, these lectures are likely the closest thing we will have to a cohesive single historical narrative from Raico himself.

In these pages, readers will find a wide-ranging look at the history of the West, which draws upon ideological trends that began in late antiquity and developed in the Middle Ages. Raico highlights important characteristics of Western history, such as the tension between secular power and church power and how this fostered political decentralization and economic development in the West.

Raico outlines how the laissez-faire liberals led the fight against absolutism in the seventeenth century and how they revolutionized European and American politics in the eighteenth century. He goes on to cover in detail the works and insights of the radical liberals in the nineteenth century who won important battles against protectionism, socialism, imperialism, and militarism.

Raico also examines the critics and competitors of the laissez-faire liberals. These are the antagonists of the narrative: Marx, Lenin, Woodrow Wilson, Otto von Bismarck, Jean-Jacques Rousseau, and many other proponents of greater state power across the centuries.

Moreover, Raico draws upon the insights of theorists who are now often forgotten but were influential in their times across many different countries and in many different languages. These theorists include

Richard Cobden, Gustave de Molinari, William Leggett, Wilhelm von Humboldt, Vilfredo Pareto, and many others.

Modern readers looking to broaden their knowledge of political history beyond the usual, often-repeated narratives will likely find many refreshing new details here. Beginners may also find this book to be a fruitful starting point for studying the history of Western political thought.

Why create a written text of the lectures now? For nearly twenty years, laypeople and scholars alike have found the audio recordings of these lectures engaging, informative, and helpful in accessing a broader and deeper history of political ideologies. As an academic product, however, audio recordings have their shortcomings. With spoken lectures, information on sources usually lacks the precision of written footnotes and citations. This presents a difficulty for scholars who might seek to delve more deeply into the research and sources that undergird these lectures. Moreover, lectures are more difficult to cite with precision due to a lack of page numbers and written text.

In an effort to overcome these shortcomings, I have edited Raico's lectures here with an eye toward translating his spoken words into a readable, searchable text. I have annotated the text with hundreds of footnotes so that scholars and other readers can easily engage with Raico's sources. These notes provide precise quotations, page numbers, and bibliographical material that were not available in the original lectures. Where I thought the reader might benefit from additional historical context or supporting material, I have added that as well.

In a small number of places, as is often unavoidable in lectures like these, Raico has misstated a source or paraphrased texts. In these cases, I have added explanatory footnotes providing the correct source or original quotation.

While the added precision of a written text is helpful, I recommend that readers of this volume also listen to the original lecture audio itself. It is only through listening to the lectures that the intended audience can fully experience Raico's wit and passion for the material. These lectures in their original form can be found at the Mises Institute's website, mises.org/struggle!.

On the other hand, for those who are seeking to approach the material on a more academic level, this written text provides a resource that is easier to search, analyze, and cite. In the process, I have also removed some asides and some sarcastic jokes that do not translate

well to a written text. Some of Raico's syntax, which works well in lecture form—but not in text form—has been modified here.

Nevertheless, the informal style of an oral presentation has been generally preserved here, and the reader will encounter some repetition or casual language of the sort one tends to encounter with lectures.

Those who are already familiar with Raico's work will also note that in some places he draws heavily upon previously published material.

Some quotations and textual passages in this book have already appeared in Raico's two volumes of essays made available through the Mises Institute and edited by Raico himself. The first of these is *Great Wars and Great Leaders: A Libertarian Rebuttal* (2010), in which Raico primarily examines war, international relations, and state building. A second key volume is *Classical Liberalism and the Austrian School* (2012), which provides a broader view of Raico's historical work, covering topics from French liberalism to Marxism.

What is new here in this volume, however, is how Raico often provides "connective tissue" not provided elsewhere that ties together ideas and historical periods. We also find new insights on topics such as the Middle Ages, Jean-Jacques Rousseau, and the Industrial Revolution. Moreover, Raico's chronological ordering of the material allows him to more methodically build upon concepts as the text progresses through time.

Finally, Raico here offers many interesting speculative remarks about the modern welfare state, immigration, political correctness, and more.

In these pages, Raico has assembled what he apparently viewed as the most essential facts of the various historical periods he has already discussed elsewhere in greater detail. Those who wish to delve more deeply may elect to go on to his books mentioned above.

As with all his essays and lectures, Raico brings to this lecture series his usual extensive and erudite grasp of historiography and a wide array of theories and work offered by other historians. Throughout his career, Raico remained up-to-date on the state of historical scholarship covering a wide variety of topics ranging from the Soviet gulag to the economic history of industrialization. Raico draws our attention to the works of a wide variety of historians, and not just those who might be labeled *free market* or *libertarian*. Raico understood that good historical research and analysis can come from many different historians of

many different backgrounds. A consummate historian himself, Raico was always on the lookout for other solid historians, regardless of their ideological pedigrees.

Moreover, Raico was a historical revisionist in the best sense of the word. His lectures and sources here show an excellent command of historical facts that many modern historians—and nearly all politicians and media pundits—have ignored as a result of either negligence or ideological bias.

It is my hope that this written volume will help to expand the reach and influence—with both the lay reader and the scholar—of Raico's scholarship for many years to come.

RYAN McMAKEN
Denver, Colorado

Lecture 1

The European Miracle

This week, my subject is going to be history as a struggle for liberty. This conception of history, what history is, goes back to Lord Acton, a famous nineteenth-century historian who spent all his life accumulating notes and materials for what would be thought a great history of liberty—the greatest book never written, people say. Nonetheless, Acton wrote many essays on the subject and he’s a historian well worth consulting.

What I’m going to be discussing this week is classical liberalism. I might slip and just call it liberalism from time to time, but you’ll understand what I’m saying. We’ll be discussing its growth, its development, and finally, I’ll say something about the possible future of liberalism.

Now, the history of classical liberalism is intertwined in the history of Europe and its outposts, especially America. Europe has sometimes been defined as extending from Warsaw to San Francisco—and one might amiably throw in also Vancouver and Melbourne. Some people would consider this a very Eurocentric kind of approach. Well, so is the history of modern science Eurocentric.

The story that I’m going to be outlining will serve as an antidote to what some of you, at least, have experienced in your high schools and colleges; that is, the demonization of Europe and Europeans as mass genocidal murderers and imperialist exploiters. If you doubt that this is standard in American education today, then you can read the works of Alan Kors, a professor at the University of Pennsylvania who has specialized in this. He is a great scholar of France and the French Enlightenment otherwise but has made it a point to detail how this demonization takes place through sensitivity training and many other

respects.¹ Now, of this view of the Europeans as genocidal murderers and demons, and

so on, much could be said. I'm not going to go into any great detail. The first thing that comes to mind is that Europeans, like everybody else, are subject to original sin and have a proclivity to the temptation of putting their own perceived self-interests above others to any extent that they feel necessary. Another thing that could be said is that power corrupts, as Acton famously said.

In the modern period, it's Europeans who had the power. It would be interesting to see what would have happened if it had been the Aztecs—Aztecs famous for their ritual murders and cannibalism—who landed in Spain, rather than the other way around, and what scenes we would have witnessed. Finally, I want to say that there were Europeans who opposed those various crimes of the men of power in their own countries, and among them—among the most prominent—were the classical liberals that we'll be talking about this week.

WHAT MADE EUROPE DIFFERENT

Now, the first thing to say about liberalism is that it arose in Europe, specifically in Western Christendom. This is the Europe that grew up in communion with the Bishop of Rome, at one time or another, so that the history of Europe and the history of liberalism are intimately intertwined. The question of why this should be the case has given rise to an enormous literature. This approach to trying to find out why Europe was different, why Europe was distinctive, is sometimes called the institutional approach of economic historians. This phenomenon could be called “the European miracle,” after the title of a book by one of the major authors of this approach, E.L. Jones, the Australian economic historian.² The miracle in question consists in a simple but momentous fact: it was in Europe that human beings first achieved per capita economic growth over a long period of time. In this way, European society

¹Paula Reid, “History Prof Alan Charles Kors Critiques Universities’ Political Correctness,” *Daily Pennsylvanian*, March 24, 2009, https://www.thedp.com/article/2009/03/history_prof_alan_charles_kors_critiques_universities_political_correctness.

²See Jones, *The European Miracle: Environments, Economies and Geopolitics in the History of Europe and Asia* (Cambridge: Cambridge University Press, 2003), p. 118.

eluded the Malthusian trap, and this enabled new tens of millions—*hundreds* of millions really—to survive, and it enabled the population as a whole to escape the hopeless misery that had been the lot of the great bulk of the human race in earlier times. The question is, Why Europe? Why is Europe in this way set apart from other great civilizations: China, India, Islam, and so on? Geographic factors played a role, no doubt, but I think that Mises put his finger on the essential point when he wrote the following:

The East lacked the primordial thing, the idea of freedom from the state. The East never raised the banner of freedom, it never tried to stress the rights of the individual against the power of the rulers. It never called into question the arbitrariness of the despots. And first of all, it never established the legal framework that would protect the private citizens' wealth against confiscation on the part of the tyrants.³

Mises was not primarily an historian. In my view, on the basis of what I know, he was the greatest economist of the twentieth century. On the other hand, he had this ability to put his finger on the solution to some historical problem in a way that other professional historians weren't able to do. We'll see when we discuss the Industrial Revolution later on the same thing there. Now, the question is still, Why was Europe in this kind of position? Now, one of the authors in this general school of thought—it's an international movement: Americans, British, French, or Australians—is Jean Baechler of Paris. Baechler's pioneering work pointedly expressed this, as he said,

The first condition of the maximization of economic efficiency is the liberation of civil society with respect to the state. The expansion of capitalism owes its origins and *raison d'être* to political anarchy.⁴

We'll see what that means. Among others who have developed this is Douglass North, who won a Nobel Prize in Economics for his work in this area in economic history. North wrote, "It was precisely the lack of large scale political order that created the environment essential to

³Mises, *Money, Method, and the Market Process* (Norwell, MA: Kluwer Academic Publishers, 1990), p. 311.

⁴Baechler, *The Origins of Capitalism*, trans. Barry Cooper (Oxford: Blackwell, 1975), pp. 77, 113.

economic growth and ultimately human freedoms” in Europe.⁵ Now, this institutional approach was adumbrated by John Hicks, the Nobel laureate in economics in the late 1960s. But the essentials of the view were sketched by the great economic historian—now emeritus from Harvard—David Landes, who, by the way, is no particular classical liberal. But he’s a good historian in a book of his called *The Unbound Prometheus*. Landes said,

There were two factors that set Europe apart from the rest of the world, the scope and effectiveness of private enterprise and the high value placed on the rational manipulation of the human and material environment. . . . The role of private enterprise in the West is perhaps unique, more than any other factor that made the modern world.⁶

Still, why was there the scope and leeway for private enterprise? Landes also points to the radical decentralization of Europe, what Baechler had called political anarchy and this is what he writes:

Because of this crucial role in a context of multiple competing polities (the contrast is with empires of the Orient and the Ancient World) private enterprise in the West, possessed a political and social vitality without precedent or counterpart.⁷

Now, of course, it wasn’t a linear progression to some kind of a libertarian utopia. However, we’re talking *relatively* and in contrast with other civilizations. Keep that in mind. There’s radical decentralization based on a context of multiple competing polities. Baechler, as others might well have written, says that this is the crucial nonevent of European history. After the fall of Rome, no empire was able to arise in Europe to establish hegemony over the Continent. There was no universal empire, although this was tried from time to time. Instead, Europe developed into a mosaic of kingdoms, principalities, city-states, ecclesiastical domains, and other political entities. Within this system, it was highly imprudent

⁵North, “The Rise of the Western World,” in *Political Competition, Innovation and Growth: A Historical Analysis*, ed. Peter Bernholz, Manfred E. Streit, and Roland Vaube (Heidelberg: Springer, 1998), p. 22.

⁶Landes, *The Unbound Prometheus: Technological Change and Industrial Development in Western Europe from 1750 to the Present* (Cambridge: Cambridge University Press, 1969), p. 15.

⁷*Ibid.*

for any prince to attempt to infringe the property rights in the manner that was customary elsewhere in the world. And these authors—again I want to emphasize—they’re not “doctrinaire,” if you want to call it that, libertarians or free market people for the most part. They’re simply very good historians and they talk about the customary behavior of states as based on predatory taxation and continual confiscation. States throughout history have acted like the Mafia does in some neighborhoods: what they would very often do is pick out somebody who rises above the rest, who has higher assets—a successful doctor or small businessman—and then the extortion starts with him. This is what states have typically done through history: confiscations and predatory taxation. States apply taxation to the victim to the degree it’s possible. Sometimes, in the case of the late Roman Empire, taxation went beyond what even was natural, was rational, even for the predatory state. The victim died from excessive taxation or regulation and inflation.

What does the decentralization of Europe have to do with this? It created the indispensable condition for what we’re calling the European miracle and that is the *possibility of exit*—the term used by these scholars. For example, suppose you’re a successful businessman in Antwerp or Amsterdam, and suppose that you were pressed by the state and the state was confiscating or heavily taxing your assets. In Western Europe, you could “exit.” You could exit without leaving the whole cultural area of Christian Europe. You didn’t have to go to a totally different civilization. You could go across the North Sea to England, you could go down the Rhine river to the Archbishopric of Cologne. This possibility of exit held generally among the Italian city-states. It was very easy to go from one to another, depending on how the state was treating you there. This did not hold in every case, but it was a constant factor, and the possibility of exit created limitations to what the state could do to its productive citizens.

Now, this story goes back many centuries. It goes back into the Middle Ages and, by the way, this historical interpretation I’m giving you has also been the basis of the works of other scholars. The great Peter Bauer, for instance, in his work on economic development in Europe, vis-à-vis economic development of the third world, simply *assumes* this basic interpretation of why Europe grew rich.⁸ Paul Kennedy of Yale, in that book on the rise and decline of the great empires,

⁸Bauer, *From Subsistence to Exchange and Other Essays* (Princeton, NJ: Princeton University Press, 2000).

assumes as his basis this interpretation.⁹ Or William McNeill of Chicago and his other synthetic works on European history assume this as a correct interpretation.¹⁰ And Peter Bauer said in one of his essays that this economic development goes back at least seven to eight centuries, which means the heart of the Middle Ages.¹¹ So, we have to examine something about the Middle Ages to explain why Europe was different. In fact, it is in the Middle Ages that what we call Europe—not the geographical continent, but Europe, the civilization—came into existence.

Here, there are a number of important factors. Feudalism—that is, the European *version* of feudalism—played a role. In Russia, for instance, there was a nobility; however, it was based on state appointed dukes, archdukes, counts, etc. In Europe, feudalism was based on a contractual relationship between powerful lords and the king—contractual; that is, there were obligations and duties on both sides. Already, by this time, some limits were placed on what the prince or the king might do. Within each of these realms, which were relatively small anyway, there was often a struggle between powers, and this gave rise to distinctive European institutions. Again, this was part of what made Europe different.

There were representative bodies, representing the taxpayers, which didn't exist in other civilizations. There were parliaments. In France, the Estates-General or the provincial estates. In Castile, there was the Cortes. These bodies existed throughout Europe. There was, I think, no area of Europe that didn't have such a parliamentary representative body. Certainly, the different parts of the Low Countries did; Scandinavia also. Castile had a Cortes, as I mentioned, but there was

⁹Kennedy, *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000* (New York: Vintage, 1987).

¹⁰McNeill, *The Pursuit of Power: Technology, Armed Forces and Society since A.D. 1000* (Chicago: University of Chicago Press, 1982).

¹¹Bauer, *Dissent on Development* (Cambridge, MA: Harvard University Press, 1976), pp. 277, 299–302. Bauer in several examples notes that disparities in economic development between western Europe and other regions begin in the Middle Ages. This acceleration of economic development in medieval Europe provides insight into modern economies, and Bauer concludes that “a working knowledge of European and Mediterranean economic history since the Middle Ages is helpful to the understanding of social and economic transformation in many parts of the contemporary world” (p. 277).

also a Cortes in Aragon. There was a Parliament in Sicily, in Naples, and the German states, and in Hungary, and in Poland.

Princes often found their hands tied by charters of rights, which they were forced to grant their subjects. The Magna Carta is the best known of these, but there's a famous similar document called the Joyous Entry of Brabant, which each ruler of what is today Belgium and the Netherlands and Holland had to agree to on his ascension to power. This stipulated that no new taxes were to be imposed without the consent of the various diets of the different parts of what are today Belgium and the Netherlands. No new customs contrary to the traditions of the areas were to be introduced; there were to be no foreign office holders, and so on. In other words, we had in that very important area of the Low Countries something similar to the Magna Carta.

Now, perhaps more crucial than anything else in the whole distinctive development of Europe was the existence of a powerful international church whose interests were not synonymous or often really compatible with the interests of the state. Lord Acton, who was a Catholic, emphasized this, but it's not something that you have to be a Catholic in order to agree to. It's a question of what is actually the historical development. You could be a freethinker, you could be a Protestant, and as a matter of fact, today there are scholars who are not Christians at all who think that the role of the Catholic church was crucial. Things are different when we're talking about the post-Reformation or especially the post-French Revolution church. At that later point, you found a state of the church coming closer to the state—coming closer especially to Catholic rulers and church and state, each using the other.

THE MEDIEVAL ORIGINS OF THE EUROPEAN MIRACLE

The critical point was, again, the Middle Ages, and there you had an adversarial position between the church and the state that was, in fact, crucial. It goes back even before the Middle Ages, to the first centuries of the church.

This is represented, for example, in a painting by Flemish painter Van Dyke, which shows Saint Ambrose blocking the entrance to the Cathedral of Milan to the Emperor Theodosius. Ambrose did this because Theodosius had been involved in the massacre of many innocents in Thessalonica in the eastern Mediterranean, and Saint Ambrose considered this to be a sin that the emperor had not repented of. This

was around the late fourth century. The scene of the painting is not the great Duomo of Milan that you see now. It was a forerunner cathedral, and Saint Ambrose, of course, was the archbishop of Milan and the man who converted Saint Augustine to Christianity. The painting demonstrates in a very stark kind of way that the archbishop is standing there in front of the doorway and the emperor Theodosius had never experienced such a thing. You can see that he's enraged, he's totally frustrated: "What is this Church doing preventing me from entering a building of my empire?" But the emperor is not permitted to come into the building. Now, this is another example of the conflict between Ambrose and Theodosius. Theodosius demanded that Ambrose hand over the cathedral to the emperor, and Ambrose responded,

It is not lawful for us to deliver it up nor for Your Majesty to receive it. By no law can you violate the house of a private man and do you think that the house of God may be taken away? It is asserted that all things are lawful to the Emperor, that all things are his, but do not burden your conscience with a thought that you have any right as Emperor over sacred things. It is written: God's to God, Caesar's to Caesar. The palace is the Emperor's. The churches are the Bishop's.¹²

That statement, by the way, comes from the New Testament: "Render unto Caesar what is Caesar's and unto God what is God's." Lord Acton, earlier in his career, had identified that, in his view, as the origin of the idea of liberty; that is, there's a realm that is not the state's. Divi-

¹²Ambrose to Marcellina, AD 385, in *The Letters of S. Ambrose, Bishop of Milan* (Oxford, 1881), pp. 133–34, https://www.tertullian.org/fathers/ambrose_letters_02_letters11_20.htm#113. "At length came the command, 'Deliver up the Basilica;' I reply, 'It is not lawful for us to deliver it up, nor for your Majesty to receive it. By no law can you violate the house of a private man, and do you think that the house of God may be taken away? It is asserted that all things are lawful to the Emperor, that all things are his. But do not burden your conscience with the thought that you have any right as Emperor over sacred things. Exalt not yourself, but if you would reign the longer, be subject to God. It is written, 'God's to God and Caesar's to Caesar.' The palace is the Emperor's, the Churches are the Bishop's. To you is committed jurisdiction over public not over sacred buildings.' Again the Emperor is said to have issued his command, 'I also ought to have one Basilica;' I answered 'It is not lawful for thee to have her. What hast thou to do with an adulteress who is not bound with Christ in lawful wedlock?'"

sion now exists between what belongs to the state and what belongs to God, whereas ancient polities, the Greeks and the Romans—especially the *later* Roman Empire—did not make this distinction between what belonged to the state and what belonged to the gods. In the late Roman Empire, the emperors *themselves* were gods.

Now, as a matter of fact, Ambrose, was, as I mentioned, responsible for the conversion of Saint Augustine. With Saint Augustine we have an interesting development in his work on the city of God. This has been called the desacralization of the state. In the Roman Empire, Roma was a god with the particular sacrifices and religious obligations due to this god, representing the Roman state. Among the sacrifices—very stark kinds of sacrifices—were the ones that you would see in the Colosseum, sacrifices of Rome’s enemies in ways that are not even shown on Fox TV today. But what Augustine said was that this is Rome—“Rome Schmome”—and that this is the city of *man*. In contrast to the city of man, what is important is the city of *God*. As our eventual and permanent habitation, the city of God is infinitely more important than the city of man, thus desacralizing the state, which had been considered godlike by the Romans.

THE CONFLICT BETWEEN CHURCH AND STATE

Now, much could be said about this adversarial position and hostile interaction between the state and the Catholic Church in the Middle Ages. One important thing to keep in mind is that this did not hold for Christianity in general. In Byzantine Christianity, for instance, the state prevailed with what was called caesaropapism. That is the situation where the church was pretty much under the thumb of the emperor.

This was characteristic of Greek Christianity, and this is the kind of Christianity that the Russians inherited. So, under the Russian rulers and “tsars”—they took that title—they were effectively in charge of the church. It was a different kind of situation from Europe, and again we come across this idea of decentralization and division of power that was important because of the different small, decentralized polities.

Also important was the big division between the state and the church, whereas in other civilizations, the ruler himself was a god. We might point to the Roman emperor, or pharaoh, or the emperor of Japan—who was a direct descendant of the goddess of the sun—or the

emperor of China. It was quite different in the West. And we can see this in a number of different ways and the role of the church.

These medieval limitations on the state are generally ignored today, and it is almost literally impossible for me to convince my students that the Middle Ages were not “the Dark Ages.” This Dark Ages myth is maybe the biggest—or one of the biggest, next to the myth of the Industrial Revolution—historical frauds perpetrated by Renaissance humanists and French philosophes.

One thing in particular I tell my students is that in the High Middle Ages, as Scholastic philosophy had been established, it was universally taught in every university—from Oxford to Salamanca to the Jagiellonian University of Krakow—that the prince was *under the law*. The ruler himself had to obey the law. Jacob Viner, the great economic historian and scholar at the University of Chicago, mentions, for instance, a reference to taxation by Saint Thomas Aquinas where Viner says Aquinas treats taxation as more or less an extraordinary act of a ruler which is as likely as not to be morally illicit.¹³ Viner points to a medieval papal bull, republished every year into the late eighteenth century, which threatened to excommunicate any ruler “who levied new taxes or increased old ones except for cases supported by law or in express permission from the Pope.”¹⁴ The popes were not into this adversarial situation for their health. It was a question of one power against another power. It was good for us that there was countervailing power for the state in the West that did not exist in other civilizations. Nonetheless, we find Thomas Aquinas himself talking about taxation as probably illicit.¹⁵ Similarly, this papal bull is saying that taxes would be illicit and not permitted except with papal control.

¹³Viner, *Religious Thought and Economic Society*, ed. Jacques Melitz and Donald Winch (Durham, NC: Duke University Press, 1978), p. 105.

¹⁴From “In Coena Domini” (article 5), a recurrent papal bull between 1363 and 1770, first written by Urban V and modified by later popes until Pope Urban VIII: “All who shall establish in their lands new taxes, or shall take it upon them to increase those already existing, except in cases provided for by the last in the event of obtaining the express permission of the Holy See.”

¹⁵In a manner similar to Viner, theologian Ronald H. Preston concludes, “Aquinas treats taxation as an extraordinary act of a ruler and quite likely to be morally illicit; the presumption is that taxation is not a routine measure, and one legitimate only as a last resort.” Preston, *Religion and the Ambiguities of Capitalism* (Cleveland, OH: Pilgrim, 1993), p. 147.

MAGNA CARTA AND DEMOCRACY OF THE TAXPAYERS

There is a series of books published by Stanford under the general inspiration of John Hexter, and one of them, for instance, is called *The Origins of Modern Freedom in the West*. I have almost all of them, and they're mostly very, very useful. Here's a quotation by one of the contributors to this volume, *The Origins of Modern Freedom in the West*, Professor Koenigsberger:¹⁶

Almost everywhere in Latin Christendom, the principle was, at one time or another, accepted by the rulers, that apart from the normal revenues of the prince, no taxes could be imposed without the consent of Parliament. . . . By using their power of the purse, [the Parliaments] often influenced the ruler's policy, policies especially restraining them from military adventures.¹⁷

Now, all of that is important. The parliaments—in England, for instance, the House of Commons as well as the House of Lords; in the Italian city-states, in the Low Countries, the representative assemblies—were elected generally by taxpayers. That's very different from the modern situation where you have mass electoral democracy. Now, the income tax is being given back to people paying low taxes, so it's a smaller and smaller part of the population that pays income tax in the United States, whereas the rest of the people have an interest in increasing taxes since they feel they can get benefits from it. But, in the Middle Ages into the modern period, it was taxpayers who were represented in these different assemblies. So, when people talk about, let's say, the democratic factor in the Dutch cities or the Italian city-states, this is not to be understood in the sense of present-day democracy. It's not mass democracy, by any means; it's democracy of the taxpayers. And that was what was involved in these assemblies.

Now, I mentioned representative assemblies. There was also the general Scholastic philosophy of natural law, and I mentioned the different charters granted by rulers and acting as sets of limitations on the

¹⁶See H.G. Koenigsberger, "Parliaments and Estates," in *The Origins of Modern Freedom in the West*, ed. R.W. Davis (Stanford, CA: Stanford University Press, 1995), pp. 135–77.

¹⁷A.R. Myers, "The Parliaments of Europe and the Age of the Estates," *History* 60, no. 198 (February 1975): 18, <https://www.jstor.org/stable/24409216>. Raico here incorrectly attributes this to Koenigsberger.

rulers' power. Most famous is the Magna Carta in English history. The barons of England, the lords, spiritual and temporal, forced bad King John to sign this great charter, the Magna Carta. You can look it up, it's not very long, and naturally, considering the age it comes from, there's a good deal of the medieval to it, explicitly and also in the general tenor. Nonetheless, what's being established comes through.

Here's one chapter: "No scutage nor aid"—basically, taxes—"shall be imposed on our kingdom unless by common counsel of our kingdom." Already, now we have the beginning of the right of representative assembly to okaying taxes, "except for ransoming our person, for making our eldest son a knight, and for once marrying our eldest daughter." So, in other words, you have the medieval element there but, nonetheless, a limitation on arbitrary taxation that has to be common counsel involved. Another: "No constable or other bailiff of ours shall take corn"—corn in the British sense; that is, your grain—"or other provisions from anyone without immediately tendering money therefore, unless he can have postponement thereof by permission of the seller." Hence, if we send the soldiers out among the peasants and take their harvest away, we can't act like the Bolsheviks in the Ukraine.¹⁸

Here's another one: "No sheriff or bailiff of ours or other person shall take the horses or carts of any freeman for transport duty against the will of the said freeman." Horses or carts are essential in an agricultural society, but the king's men can't just go and take them because the king needs them. The rulers have to pay for it. "No freeman shall be taken and imprisoned or exiled or in any way destroyed, nor will we go upon him or send upon him except by the lawful judgment of his peers and the law of the land"—that is, the rule of law and trial by jury. Another item: "All the merchants shall have safe and secure exit

¹⁸Raico notes in a Q&A period of the lecture that peasant uprisings did occur in Russia, but these revolts were not founded in appeals to political rights and privileges, as occurred in the West: "There were peasant uprisings in every society—in Russia, famously, a number of times in the seventeenth and eighteenth century; in China, a mass peasant uprising in the nineteenth century. [These are] peasants who are at the mercy of rulers and soldiers from the metropolis and are forced to give up their surplus product to keep the cities in existence. . . . What the peasants objected to was *specific* taxes or confiscation or an *unusual* amount of financial oppression. They never, as far as I know, until the rise of liberalism, began to generalize this as a social doctrine. . . . Wat Tyler's rebellion in England was an exception, but generally what they objected to was specific oppressions" rather than a "general ideology" protecting property rights.

from England and entry to England with the right to tarry there and to move about as well, by land as by water except in time of war, such merchants being from the land at war with us, and if such are found in our land at the beginning of the war, they shall be detained without injury to their bodies or goods.” Again, respect for private property, the commercial freedom, even for enemy and aliens. Finally, and this is what the king was forced to sign, “Whereof, it is our will and we firmly enjoin that the English church be free, that the men of our kingdom have and hold all of the aforesaid liberties, rights and concessions . . . fully and wholly for themselves and their heirs by us and our heirs”—pledging the future rulers of England to these rights—“given under our hand, in a meadow which is called Runnymede, between (the rivers) Windsor and Staines on the fifteenth day of June, in the seventeenth year of our reign,” the year of our Lord 1215.

A committee is set up of the barons to enforce this to make sure that bad King John does what he promises to do, and the first name on the committee is Stephen Langton, the archbishop of Canterbury—Catholic archbishop, of course, in those days. So, what you have here is, in this case, the Catholic Church throwing its weight into the balance against the power of the secular ruler.

I want to emphasize that this is not something that you have to be a Catholic to believe, by any means. It’s a certain interpretation of medieval history and the rise of the West, which many people who are not Catholic—take Peter Bauer, for instance, who is a Budapest Jew—adhere to.¹⁹

CONTRASTING EAST AND WEST

Now, we can make clearer what’s involved here if we contrast Europe with other civilizations. With the East or with another Christian civilization—that is, Russia—already, the contrast of the East was an established view in the Middle Ages themselves.

In the thirteenth century, the German emperor Frederick II, Hohenstaufen, who has been called by some the first totalitarian ruler, tried as much as he could to establish totalitarian control. He was a Holy Roman emperor and ruler of Germany, but he made his court in

¹⁹See Bauer, “Economic History as Theory,” *Economica* 38, no. 150 (May 1971): 163–79, <https://doi.org/10.2307/2552576>.

the south of Europe. He prohibited the inhabitants of Sicily or Naples from going to other places to study at the university. To keep control, he established the prototype of the secret police and he was involved famously in a conflict with the papacy and defeated, ultimately. In one of his writings, Frederick praised happy Asia, “felix Asia.” By “Asia,” he meant anywhere in the East, where, he says, “rulers need not fear the weapons of their subjects and the machinations of priests.”²⁰

He’s putting together two very interesting elements: the right to keep and bear arms, which the Europeans had, but which the elite Romans had abandoned. The Germanic people made the right to bear arms into a sign of a free man from the early years, in fact, while they were still barbarians on the other side of the Rhine. At the time, they would get together in council, and if something was being suggested by the chieftain, the freemen would signal their agreement by clashing their arms together, their weapons together. That became, among the Anglo-Saxons, a settled individual right, as I’ll probably mention in some other lecture. So, what Frederick II hated was the fact that his subjects seemed to have weapons all around the place, and also Frederick II was worried about the machinations of priests trying to subvert the ruler at all times.

Now, we can go on to the seventeenth century. There was a famous Frenchman named François Bernier, who visited many different places. He was trained as a physician at the famous medical school in Montpellier, in the South of France. So, as a physician, he went to many different places, and he was even down in Ethiopia, Persia, but especially in India, and wrote about his experiences there. As he returned to France, he published *Travels in the Mogul Empire*—that is, the empire over India, which incidentally later became the basis of Karl Marx’s concept of the Asiatic mode of production. This is what Bernier says:

[Because of the] cupidity of a [neighboring] tyrant . . . when wealth is acquired . . . the possessor . . . studies the means by

²⁰See Jean-Louis-Alphonse Huillard-Bréholles, *Historia diplomatica Friderici Secundi* (Paris, 1861), 6:686. The original passage reads, “O felix Asia, o felices orientalem potestates que subditorum arma non metuunt et adinventiones pontificum non verentur!” (“O happy Asia, O happy eastern powers that do not fear the arms of their subjects and do not fear the scheming of the pontiffs!”)

which he may appear indigent; . . . In the meantime, his gold and silver remain buried at a great depth in the ground.²¹

Remember the *Arabian Nights* stories about the treasure maybe sometimes guarded by cobras or something? Gold and silver and diamonds, and so on. Why do people have treasure in that form? Why are they hiding their wealth? The Dutch did not hide their wealth, as we'll see. They put their wealth into their herring boats that traveled throughout the North Sea and into the Baltic Sea. This was enormously productive, even for the late Middle Ages. Why in the East was this custom established of hiding wealth on the part of productive citizens? Bernier gives the reason, confirmed by historians: because there was no rule of law protecting private property. With property accumulated to a certain degree, the tyrant, the soldiers who have the guns or swords, simply went and confiscated it. This is Bernier:

[The nations of Asia] have no idea of the principle of *meum et tuum* [mine and thine], relatively to land or other real possessions; and having lost that respect for the right of property, which is the basis of all that is good and useful in the world, necessarily resemble each other in the essential

²¹Quoted in George Howells, *The Soul of India: An Introduction to the Study of Hinduism, in Its Historical Setting and Development, and in Its Internal and Historical Relations to Christianity* (London: James Clarke, 1913), pp. 215–16. Taking a longer selection of the passage, “This debasing state of slavery obstructs the progress of trade, and influences the manner and mode of life of every individual. There can be little encouragement to engage in commercial pursuits when the success with which they may be attended, instead of adding to the enjoyment of life, provokes the cupidity of a neighboring tyrant, possessing both power and inclination to deprive a man of the fruits of his industry. When wealth is acquired, as must sometimes be the case, the possessor, so far from living with increased comfort and assuming an air of independence, studies the means by which he may appear indigent; his dress, lodging, and furniture continue to be mean, and his is careful above all things never to indulge in the pleasures of the table. In the meantime, his gold and silver remain buried at a great depth in the ground. A few individuals alone, who derive their money from the kind, or from the omrahs, or who are protected by a powerful patron, are at no pains to counterfeit poverty, but partake of the comforts and luxuries of life. . . . The peasant cannot avoid asking himself the question, ‘Why should I toil for a tyrant who may come tomorrow and lay his rapacious hands upon all I possess and value without leaving me, if such should be his humour, the means to drag on my miserable existence?’ Nothing but sheer necessity of the blows from a cudgel keeps the artisan employed.”

points: they fall into the same pernicious errors . . . have to suffer tyranny, ruin and misery.²²

There is much more along the same lines in Bernier on the basis of his personal experience. Now, one interesting thing about this is that many of these observations were written to the minister of Louis XIV, Jean-Baptiste Colbert. In the history of European economic development, Colbert is known as kind of the ideal type of the mercantilist minister. You follow what I'm saying? My point is that even in regard to a minister who's not a total believer in free trade, Bernier is saying the East doesn't even have what we have in France: basic protection of private property. In other words, Colbert would go down as somebody who is really a government interventionist and a prime mercantilist, but nonetheless, even under mercantilism, the Europeans had this regard for private property, the sanctity of contracts, and so on, that allowed them to develop in contrast to the East.

Baechler says when you want to talk about China, "each time China was politically divided, capitalism flourished."²³ Now, in regard to Japan, there's a very interesting situation. The stereotype has it that the Japanese were hopelessly backwards and third world, and so on, until Commodore Perry came and introduced them to the modern world. The fact of the matter is that in the previous centuries, two centuries or so, called the Tokugawa period, Japan flourished economically, and this has been investigated by economic historians who have come to the conclusion that the Japanese situation in some ways resembled Europe also—that is, you had a feudal class, you had a merchant class with guaranteed property rights in the towns. You had a stock exchange in Japan. You had the defined rights, including rights to water. You had defined rights of individuals in their own labor. So,

²²Bernier, *Travels in the Mogul Empire, A.D. 1656–1668* (London: Oxford University Press, 1916), p. 232.

²³Baechler, *The Origins of Capitalism*, trans. Barry Cooper (Oxford: Blackwell, 1975), pp. 82–86. Baechler specifically writes, "Each time China was politically divided, capitalism flourished. The fact is very clear for . . . the end of the T'ang and especially the Song period. . . . The same evolution may be found in the more distant past: the so-called period of the Warring Kingdoms (453–221 B.C.), probably the richest and most brilliant of all Chinese history, the period of the Three Kingdoms (A.D. 220–280) and finally the period of the Six Dynasties (A.D. 316–580)" (p. 82).

in other words, you had kind of an institutional infrastructure in Japan in a way similar to the one that existed in Europe.

Now, when we talk about Russia, you have a different situation, unfortunately. This is not to say anything against the great Russian people. Everybody, in a way, is a victim of the history of the society he's born into, and the Russian people are one of the great peoples of Europe. Nonetheless, they are burdened by history that deviates from the mainstream history of Europe. It was very, very late that any limitations were put on the power of the ruler at all: maybe the eighteenth century with Catherine the Great, who was converted to free trade for a while.

Another was Peter the Great, for instance, around the year 1700, who wanted to modernize Russia. (Every once in a while, a ruler comes along and says, "Heavens, we're so far behind Europe, we have to do something about it. Let's modernize.") So, he built his new capital in Saint Petersburg—with serf labor, of course—and then took a famous trip to Europe. It's a very interesting story if you look it up sometime about Peter the Great, and sometimes he's disguised as an ordinary seaman, but he was stunned by what he found in Europe. (The present Russian flag, by the way, has the same colors as the Dutch flag, introduced by Peter the Great.) He saw that Europe had entrepreneurs and capitalists and development of modern industry and had a high standard of living compared to the Russian masses. So, he decided to do the same thing in Russia, and he began with a draft—conscription of entrepreneurs to put them in charge of new factories, of mines. What he didn't begin with was a definition of property rights, which by that time had been well established in Europe. This is a problem through Russian history.

What's going to happen to the Russians is impossible to say. Russia is a case history of a society that deviated from Europe that we can talk about. Spain would be another example.

THE DUTCH MODEL OF SECESSION, COMMERCIAL FREEDOM, AND RELIGIOUS TOLERANCE

We can take a positive example and positive model of European development, and that is the Dutch experiment. The Low Countries—that is, today, the Netherlands and Belgium—had long benefitted from the legal system inherited from the Dukes of Burgundy who had ruled the area. These were rulers who governed in collaboration with the

Estates-General. The Estates-General is a meeting of representatives of all of the estates, or in other words, legal categories of noble, commoner, and sometimes clergy. The Dukes of Burgundy and the acts of the Estates-General promoted an open commercial and industrial system based on the protection of property rights. Naturally enough, the Estates-General was constituted of representatives of the property-owning classes.

In the rise of the northern Netherlands—or the United Provinces or Holland, as we say—we have a near perfect example of the European miracle of decentralization in operation. First, the area had been a major participant in European economic, political, and cultural developments for centuries. By the time the Reformation came along in the sixteenth century, they were about as developed as the city-states of northern Italy, which were the most developed parts of Europe.

And as I mentioned, the herring fleet was famous and proverbial in Europe. They had herring boats that not only caught the herring but dressed them, packed them in salt, packed them in boxes, ready for delivery as soon as they got back home to Antwerp or Amsterdam. That is, at the end of the Middle Ages, an enormous capital investment. Now, what happened at a certain point is that the Habsburgs, when the Reformation came along, decided to deal with their recalcitrant subjects, mainly in what is today the Netherlands, who had the nerve to become Calvinists. Maybe even worse was that they had the nerve not to pay the new taxes that the Spanish monarchy required because of its imperialist plans and ambitions.²⁴ The Spanish Netherlands were the most productive parts of the Spanish possessions. So, new taxes were introduced without the consent of the particular diets of the different provinces, and also the Spanish Inquisition was introduced to extirpate Protestantism.

This led to the revolt of the Dutch, the first war of national liberation in modern history. The revolt of the Dutch was a crucial, pivotal event in European history. What happened was that the Dutch, after a long, bitter, bloody struggle, succeeded in separating. By the way, it was another *secession*, just as with the American Confederate states. The Dutch didn't want to take over the Spanish Empire. They

²⁴Raico explains in an aside that he makes a distinction between the Spanish Habsburgs and the Austrian Habsburgs, noting he has “great respect” for “the later Habsburgs of Austria-Hungary,” while the Spanish Habsburgs were significantly less praiseworthy.

just wanted to withdraw from the Spanish Empire, as the American colonists wanted to withdraw from the British Empire. And after a very long struggle of decades, the Dutch finally did. What they set up became a model for Europe for decades and was the first European economic miracle or “Wirtschaftswunder.”²⁵

There was no king, there was no court. There was a united diet for all of the provinces, but each of the individual provinces—like Holland or Groningen or the other of the eight provinces—sent their representatives to this united diet who could not pass on anything until their principals at home had agreed to it. In other words, it was all highly decentralized. And it was basically ruled by mercantile elite, the burghers of Amsterdam, and so on, and the other towns. In a short while it became even more prosperous than it had been before. There were poor, of course—in what I’ll call Holland, it was a major province, so the whole country is sometimes called that. On the other hand, the poor were much better off than the poor virtually anywhere else in Europe.

Now, I say this is a perfect example of the European decentralized model in operation for a number of reasons. For one thing, one reason they had been able to defeat the Spaniards is that they had the support of other European countries, particularly Elizabeth I in England. In other words, if Europe had already been one huge empire, they could have easily crushed the Dutch. But since it was divided, they could call on other independent areas to support them, and that was the reason, eventually, why Philip II sent the armada against the English. Not only were they Protestant but they had given aid to the Dutch rebels. And now the new Dutch Republic is set up, it’s increasingly prosperous. It’s tolerant relative to the rest of Europe because two-thirds of the people are Protestants—Calvinists—and about a third is still Catholic. And the society is controlled by businessmen who generally don’t like to kill their customers for religious or other reasons. So, there was a general toleration, *de facto* more than by law.

The Dutch printers were willing to print virtually anything, including what was in those days considered extreme—especially heretical works—considered heretical by one church or another. The Dutch printers just cared for one thing: whether you settled your bill. They

²⁵Raico is here comparing the Dutch economic comeback to the more famous German *Wirtschaftswunder* in the wake of the Second World War.

didn't care what language. They'll publish it in French and then it could be smuggled into France. So, Holland became a model that was recognized by everyone. Here is an American historian who wrote,

Both foreigners and Dutchmen were apt to believe that the Dutch Republic was unique in permitting an unprecedented degree of freedom in the fields of religion, trade, politics. In the eyes of contemporaries, it was this combination of freedom and economic predominance that constituted the true miracle of the Dutch Republic.²⁶

One characteristic of the Dutch Republic was that they welcomed religious dissidents—philosophical dissidents also, like John Locke or Descartes—who lived there for a while. They welcomed the Iberian Jews, the Portuguese and Spanish Jews who had been thrown out and therefore set up important Jewish communities in Antwerp or most famously Amsterdam. And this is what one Amsterdam Jew named Baruch Spinoza wrote:

The city of Amsterdam reaps the fruit of this freedom and its own great prosperity and the admiration of all other people. For in this most flourishing state and most splendid city, men of every nation and religion live together in the greatest harmony and ask no questions before trusting their goods to a fellow-citizen, save whether he be rich or poor, and whether he generally acts honestly, or the reverse.²⁷

In other words, this is a case of commerce producing tolerance, producing harmony, producing a willingness to interact, of course, for the mutual benefit. We're not talking about a nation of altruists here, but what they discovered was the rule of peaceful interaction for the benefit of all, based on respect for private property.²⁸ I suppose

²⁶Koenraad Wolter Swart, "The Miracle of the Dutch Republic in the Seventeenth Century" (lecture, University College London, November 6, 1967, <http://www.dianamuirappelbaum.com/?p=583#.ZEB-DHbMJD9>).

²⁷Quoted in Lewis Samuel Feuer, *Imperialism and the Anti-imperialist Mind* (New Brunswick, NJ: Transaction, 1989), p. 65.

²⁸In a sarcastic aside, Raico adds, "Incidentally, just a sideline, as you know, capitalism destroys culture. The free market is the enemy of any culture. That is why the Dutch, for instance, have never produced anything in the way of painting." He continues unironically: "The artists used to create their paintings and have them sold in the grocery store next to the barrel of salted herring. It was a very bourgeois society. Jean Jacques Rousseau . . . hated the

you know that this Jewish community of Amsterdam lasted for quite a while and contributed a great deal to the prosperity and fame of the Dutch. It lasted to around the time of Anne Frank, when it was put a violent end to.

I'm going to be talking next hour about how the Dutch model was observed and taken up by other Europeans. As I mentioned a few minutes ago, John Locke had to leave England, because of possible political persecution, and spent time among the Dutch and learned a good deal from them.

Dutch. He said if you go to Amsterdam and ask somebody the time, they try to charge you for it, which I don't see anything wrong with, frankly."

Lecture 2

Classical Liberalism

This lecture will concern classical liberalism itself.

Now, I think that you've been given—free of charge, in the usual generous tradition of the Mises Institute—or somewhere along the line gotten hold of a copy of Mises's book called *Liberalism*. In the original German it's called just *Liberalism*, and in the current English version, *Liberalism in the Classical Tradition*.¹ At the very beginning of the book, Mises talks about liberalism and says,

The philosophers, sociologists, and economists of the eighteenth and early part of the nineteenth century formulated a political program that served as a guide to social policy first in England and the United States, then on the European continent, and finally in the other parts of the inhabited world as well. Nowhere was this program ever completely carried out. Even in England, which had been called the homeland of liberalism.²

Mises says liberalism was never permitted to come to full fruition: “Nevertheless, brief and all too limited as the supremacy of liberal ideas was, it sufficed to change the face of the earth.”³

¹The English version of *Liberalism* was translated by Raico himself, and in an aside Raico jokes that the “rather brilliant” English translation has been “compared by many to Chapman's Homer.”

²Mises, *Liberalism: In the Classical Tradition* (Irvington-on-Hudson, NY: Foundation for Economic Education, 1985), p. 1.

³*Ibid.*

And it goes on in that vein. Well, as I say, he uses the term *liberalism*, which for a long time was the word associated with this program that he's developing. But it may seem strange to you to associate liberalism with basically laissez-faire and the other elements of the liberal program, considering that liberalism—not only in the United States but now in other countries as well—has come to mean something quite different.

There's a rather well-known story how, in English-speaking countries first of all, and then elsewhere, around the turn of the century—that is, the turn of the nineteenth to the twentieth century—the term *liberal* was hijacked by people who were essentially social democrats.

WHAT IS LIBERALISM, AND WHY DO SOCIAL DEMOCRATS CALL THEMSELVES LIBERALS?

Joseph Schumpeter is an economist from Austria—but not what we would call an Austrian economist—and a very famous social philosopher and well worth consulting. He wrote a very big book that I think is still in print from Oxford called *History of Economic Analysis*. In a famous passage there, he ironically states that it was a kind of compliment, if an unintended one, when the enemies of the system of free enterprise confiscated the name *liberal* for what was basically the opposite of what liberalism had stood for from the start.⁴ Nowadays, you can find writers who express astonishment that free market economists still sometimes insist on calling themselves liberals rather than conservatives.

Some might say, Why argue over a name? Why not just call your position anything at all and go on from there to argue the case for it? Stephen Holmes, a political scientist from Chicago, has called the dispute over the term *liberal* a matter of bragging rights; the right to brag, "I'm the real liberal in the liberal tradition and you're not." On the other hand, he insists that *he's* in the real liberal tradition and thinks it's worth arguing about.⁵

⁴The passage reads, "The term has acquired a different—in fact almost the opposite—meaning since about 1900 and especially since about 1930: as a supreme, if unintended, compliment, the enemies of the system of private enterprise have thought it wise to appropriate its label." See Schumpeter, *History of Economic Analysis* (New York: Routledge, 1954), p. 394.

⁵Holmes, "Liberal Guilt: Some Theoretical Origins of the Welfare State," in *Responsibility, Rights, and Welfare: The Theory of the Welfare State*, ed. Donald J. Moon (Boulder, CO: Westview, 1988), p. 101.

It seems to me there are good reasons to hold on to the name *liberal* from the point of view, say, of Ludwig von Mises and not of John Kenneth Galbraith. First, we must hold on to the name in order to preserve a conceptual coherence when dealing with an intellectual history. How can you make sense of the history of ideas if you say there was an important school of thought called liberalism while Galbraith, John Maynard Keynes, John Rawls, and Franklin Roosevelt are just as entitled to the name *liberal* as Mises, Hayek, Nozick, and, say, Grover Cleveland? Second, there was, demonstrably, a very deliberate political aim when Leonard Hobhouse, J.A. Hobson, John Dewey, Friedrich Naumann, and others in Germany promoted the transformation of the term. There was a theory underlying the terminological change, a kind of ideological subtext, one might say, that is still operative. This is what the idea was: there was an old liberalism of laissez-faire that is now antiquated and obsolete, made so by massive changes in society.

Those writers at the turn of the century that pioneered the new liberalism, as they sometimes called it, based their claims on a ridiculously inflated view of the power of business enterprise vis-à-vis the individual workers or the labor market. This was accompanied by an equally inflated view of the business corporation's alleged enormous power vis-à-vis the individual consumer. In any case, the hijacking of the term *liberal* implied that the old liberalism—the liberalism of Mises, for instance, in his book—was dead and certainly need not be considered a plausible candidate for support.

Then, some of the English old-fashioned liberals like Auberon Herbert and the extreme followers of Herbert Spencer started saying, "Let's call ourselves something else, let's call ourselves individualists." Then, John Dewey started saying, "Well, you know, there was an old individualism that is now obsolete."⁶ The new individualism, which is the same thing as the new liberalism, called on all of the powers of society to support the individual in his or her self-development, and on and on in that vein. Finally, I submit that there is no intellectually honest reason to bestow the term *liberal* on those nowadays who favor a never-ending list of government-funded programs. These programs, we are told, are necessary to deal with every real or imagined ill of society and favor a constantly expanding state apparatus to wage war on the traditional ways and values of civil society. The people who support this are the people who are called liberal nowadays.

⁶See Dewey, *Individualism Old and New* (New York: Minton, Balch, 1930).

Peculiarly enough, to complicate it even further, in some cases the term *liberal* does retain its old meaning. In the case of France, for instance, the term *liberal* or sometimes *ultraliberal* means a believer in laissez-faire or an extreme believer in laissez-faire. So, the French—unlike the English, the Americans, the Canadians, even the Germans to an extent—have preserved the older meaning. In those countries, there is a name for the position that calls itself liberal or liberalism in America. It is called social democracy or democratic socialism. These are perfectly legitimate names. Why do they want to take over the name *liberal*?

The “new” liberalism of Hobhouse and Hobson is indistinguishable from the position, for instance, of Eduard Bernstein, the founder of the vision of socialism in Germany. This has today become socialism altogether in the modern world, just as the position of American liberal intellectuals is indistinguishable from that of people who call themselves social democrats in Europe. This is what Eduard Bernstein said around 1920 or so:

The development and protection of the free personality is the goal of all socialist measures, even of those which superficially appeared to be coercive measures. A closer examination will always show that it is a question of a coercion that increases the sum of freedom in society, that gives more freedom and to a wider group than it takes away.⁷

Now, I submit that this is what so-called liberals in America hold, that yes, we have to be coercive in this respect. We have to force employers to behave in this way, forcing consumers to behave in this way and indoctrinating children in the public schools in this way—in order to promote a greater freedom and the total development of the human personality. Fine, if that’s what you believe. But Bernstein never called himself a liberal; he was a socialist, and he said that this is the socialist vision. Why, in English-speaking countries, democratic socialists should shy away from calling themselves by their proper name is a matter of political expediency more than anything else. For some

⁷This may be Raico’s own translation of the original German text. The passage is found in Bernstein’s *Die Voraussetzungen des Sozialismus und die Aufgaben der Sozialdemokratie*, originally published in 1899. A similar, often-used English translation of this passage can be found in the 1907 English translation by Edith C. Harvey. See Bernstein, *Evolutionary Socialism: A Criticism and Affirmation*, trans. Harvey (New York: B.W. Huebsch, 1909), p. 176.

reason or other, political labels suggestive of socialism have not been very popular in countries of the English heritage. As a result, what is essentially the social democratic party in the United States—the Democrats—or people who call themselves liberals in Canada—the Labor Party—or even the “liberal” Social Democratic Party in England call themselves liberals.

Now, it is sometimes maintained that underlying liberalism is a particular philosophical system, in the sense of a particular metaphysics and epistemology. Often, this philosophical system is taken to be British empiricism from John Locke to John Stuart Mill, but I don’t find this satisfactory. There are simply too many divergent and conflicting philosophical traditions within the history of liberalism, from Aristotelianism and Thomism to Kantianism to Empiricism, and so on, for this to be convincing.

The working definition of liberalism that I will adopt is this: it is the ideology that holds that civil society—understood as a sum order of society, the sum of the social order minus the state—by and large runs itself within the bounds of a principle of private property. This is liberalism as I’ll be discussing it here.

Well, with the collapse of Marxism—especially the real, existing socialist regimes, and Marxism especially—liberalism has become enormously popular. It seems that everybody wants to call themselves a liberal, and this reflects itself in the scholarly world. There’s much more attention being paid to liberalism than there ever was before. Scholars appear to be waking up to a few facts after decades of concentrating on the history of socialism, especially of Marxism. After having examined over and over again in mind-numbing detail all of the minutia of the annals of socialist doctrine and education, academics have finally woken up to the fact that the foundations of our own society are worthy of attention as much as the sterile dreams of socialist visionaries. That is certainly a hopeful sign.

THE HISTORICAL ORIGINS OF LIBERALISM

Let’s take up the story where I more or less left off last time: the end of the Middle Ages. The first thing we might mention is the Renaissance, and often, especially in older histories of the liberal idea, a lot of attention was devoted to the Renaissance. There was even a certain novelist, well-known in American and libertarian circles, whose philosophy of history can be encapsulated as, “First came Aristotle, then

the Renaissance, and then came the railroads.”⁸ I must confess that I am dubious of the contribution of the Renaissance in general, and especially of Renaissance philosophy, as it is ordinarily understood through the rise of liberalism. It used to be that great stress was placed on writers like Marsilio Ficino and Giovanni Pico della Mirandola. One example is Pico’s famous “Oration on the Dignity of Man,” in which he states, “God hails man” as a “maker and molder of thyself, who art free to fashion thyself in whatever shape thou shalt prefer.”

Well, this has more in common, it seems to me, with Marx’s Promethean vision of man than it does with the liberal tradition, which has usually been based in one way or another on the view of a given nature of man ascertainable by reason. As Acton, who very much valued the Middle Ages, pointed out, the great political philosopher of the Italian Renaissance is Machiavelli.

The contrast between the Middle Ages and the Renaissance can be illustrated by the example of what is sometimes called the School of Salamanca, not entirely correctly, because it includes Spanish thinkers not connected with the University of Salamanca. It also includes some Italian and Portuguese thinkers. These are better referred to as the late Scholastics. For more on this, I recommend Rothbard’s *History of Economic Thought* in two volumes. It was Murray’s last book, and he never completed it. He never got into the Austrian school itself of the twentieth century, which he had planned to do. Still, as it stands, it’s a magnificent work of scholarship, a liberal education in itself, in my view. Murray has an important chapter in the first volume of his book on the late Scholastics, the so-called School of Salamanca.

THE IBERIAN SCHOOL OF THE LATE SCHOLASTICS

The story of these writers provides another example of anti-Catholic bias. They were consistently ignored or downplayed, and it was conventional wisdom that the traditional Catholic position on economics was based on the prohibition of usury and the “just price.” In other words, it is a kind of reactionary medieval view that runs totally contrary to basic economic thinking. This was the older view, and this is maybe the view that’s come down to you. Then, in the 1950s, Marjorie Grice-Hutchinson and Raymond de Roover, professor in New York,

⁸This is a reference to the philosopher Ayn Rand. Raico here condemns Rand’s simplistic view of history.

published books and articles that began to do justice to these remarkable thinkers. A short and good study of them is by a friend of ours, Alexander Chafuen (who is the president of the Atlas Foundation in Fairfax), in a book called *Christians for Freedom*.⁹

Now, briefly, these writers include Luis de Molina, Juan de Mariana, Francisco di Vitoria, Francisco Suarez, and others. They presented a sophisticated analysis of many economic phenomena, starting off from a baseline with a subjective theory of value as based on utility as understood by the economic actor.

Now, if you think about that a minute, we're talking about—in the case of some Italians—the late fifteenth century, basically the sixteenth century and early seventeenth century. Already, we have the germ of a modern theory of value that has nothing to do with the English school's theory of value based on labor—the famous theory of value that became standard in Britain. This theory was David Ricardo's and then was accepted by Karl Marx. It was a totally different tradition, and Rothbard emphasizes throughout his *History of Economic Thought* how the Iberian Scholastic tradition then becomes the standard European tradition of Italian economic thought and especially in French economic thought. This is in sharp contrast to what's happening in Britain. Economics, and economic phenomena, in this Continental tradition is based then on a subjective theory of value—on the individual actor's sense of utility—as against some so-called objective theory of value based on labor input. These writers maintain the legitimacy of private property. They were for low taxes and against using taxation for the redistribution of wealth, and they opposed the debasement of money.

Since most of them were Spaniards who lived at the time of the Spanish conquest of the New World and the influx of precious metals into Europe—which created a precious-metals inflation—they were very sensitive to the issue of inflation and the debasement of money. The Mises Institute has a number of economists who know many, many times more about these issues than I do, but according to them—according to Rothbard—these Spaniards had very sophisticated analysis of how inflation works. Here's one of the writers: "The origin of

⁹Alejandro A. Chafuen, *Christians for Freedom: Late-Scholastic Economics* (San Francisco: Ignatius, 1986).

poverty is high taxes. In continual fear of tax collectors, [the farmers] prefer to abandon their land, so they can escape their vexations.”¹⁰

That was the story of the late Roman Empire, where, in order to flee the tax collector, many simply fled the towns and went to put themselves under some local landlord as part of his clientele. They set up little villages of their own because taxation had become so onerous. Molina says that’s happening in Castile.¹¹ Castile was a very well-developed part of Europe in the later Middle Ages. What happened—again, because of their imperialism and their religious intolerance—was the Spanish Habsburgs were able to impoverish Spain by their high taxes. In the course of that, by the way, they had to fight it out with the Cortes, this medieval institution. The fight came down to battles between the Spanish towns and the Spanish crown, and the towns were defeated. The Cortes was rendered impotent, and then the Spanish kings could do anything that they wanted. With time, Spain turned into what it became: the backwoods of Europe, the decadent power, when it had once been rich and powerful.

Another writer, Henrique de Villalobos:

Taxes severely weaken towns and impoverish farmers. We can see places that yesterday were flourishing and had many inhabitants and now lie fallow because farmers cannot tolerate high taxes.¹²

By the way, all of these men were clerics, were monks or priests, and I think it’s clear that part of their concern here is the duty that such a person felt—or a high-minded person of that calling—felt towards the poor and towards productive working people who are suffering because of the bad policies of their rulers. Here’s Bartolomé de Albornoz, and he sounds like the nineteenth-century liberal Frédéric Bastiat:

Buying and selling is the nerve of human life that sustains the universe. By means of buying and selling the world as united, joining distant lands and nations, people of different languages, laws and ways of life.¹³

¹⁰Pedro Fernandez Navarrete, quoted in Chafuen, *Faith and Liberty: The Economic Thought of the Late Scholastics* (Lanham, MD: Lexington, 2003), p. 54.

¹¹Raico here may be attributing the quotation to Molina. The author is Navarrete, however.

¹²Quoted in Chafuen, p. 58.

¹³Quoted in Chafuen, p. 75.

And *that*, you know, was part of the philosophical undergirding of the free trade position from the eighteenth century on. If you were of a religious mind, one of the things that occurred to you was that the earth is given different resources, different climates, and so on, in order for the peoples to trade with one another. This providential fact brought together many different people and groups in a universal harmony. They were all, of course, as late Scholastics, followers of Thomas Aquinas, who had written, “Any exchange is for the mutual benefit of both parties, with the result that they are better-off than previously.”¹⁴ How long it took British political economy to learn this. The British idea was that exchange was an exchange of equal values, as if people sat around trading dollar bills with each other. The Scholastics understood that in order for an exchange to take place, the two parties have to have a differential valuation of what is exchanged. And many other quotations along these lines could be quarried.

That Spanish or late Scholastic school went into oblivion, although some of them, Suarez and Vitoria especially, were occasionally remembered. Everybody admitted the Scholastics had a tremendous influence on political theory in the line of Samuel Pufendorf and Hugo Grotius that winds up with John Locke. But somehow these Iberians were later left out of the picture.

EARLY ENGLISH LIBERALISM AND THE LEVELLERS

The Dutch, interestingly enough, did produce a very close approximation of a free society in the context of Europe at the time, but as far as I've been able to find out, not very much in the way of a *political philosophy* that mirrored that freer kind of society. So, now our attention turns to England. The history of liberalism in the strict sense begins with the Levellers in the mid-seventeenth century. And since they are an authentic, echt product of the great English people, we will spell their name with the double L, which your spellcheck would reject if you're an American: “the Levellers.”

Now, I mentioned that the attack on the traditional inherited chartered immunities and privileges of the Dutch people by the Spanish Habsburgs was the occasion for the revolt of the Dutch. In a parallel kind of way, at the beginning of the seventeenth century, a family, a dynasty, comes to the throne of England that has similar absolutist

¹⁴Quoted in Chafuen, p. 92.

ideas. You have to understand, the time we're talking about is a time of monarchical absolutism. This is the idea that the king owns the country as Louis XIV thought—or stated, at least—the idea that the king is above the law. It is the idea that the country should be run by the king and his bureaucracy and his paid military mercenaries. This was considered the wave of the future, just as, believe it or not, for a time in the late 1920s and 1930s, fascism was considered the wave of the future, and people sort of defensively apologized for not having a fascist regime because fascism was so obviously *au courant* and modern.

In England, this new regime, this Scottish family now on the throne of England, decided to introduce many of the Continental ways that we know of collectively as royal absolutism. This was the House of Stuart. Like other rulers and their henchmen, the Stuarts and their apologists for absolutism, considered it the modern form of government, more streamlined than the older form that was hedged around by limitations and restrictions of a kind that we find in the Magna Carta.

The Stuarts were going to change things. The Stuarts decided to rule on their own, without the benefit of the representatives of the people and the taxpayers in Parliament. When the time came that Charles I needed to raise money, he did it on his own authority. He levied “ship money” on the towns of England that had never had to pay it before. This was a special tax levied to support the navy, and the seacoast towns had traditionally paid it because they were assumed to have more to gain from the navy than other people. But now the same tax was levied simply on royal authority, on inland towns. It did not amount to very much, just as the stamp tax or the tax on tea in the American colonies did not amount to very much. But the *principle* was unacceptable to the people. Sometimes, apologists for the first American war of secession, the Revolutionary War, said, “Why did they go to war? Why did they risk their lives, their fortune, and their sacred honor for a couple of pennies in the pound?” Well, it really was *the principle*—that is, that the king can do this. On the small scale, if we accept that principle, he can do *anything*. The leaders of the English resistance came to say that under this king, there's nothing a man can call his own, which is I think more becoming the slogan of the modern democratic state: there is, in the end, nothing that you can really call your own, once the state demands it.

So, the English Civil War came and the parliamentary forces eventually defeated the Royalists. Charles was captured, put on trial,

and executed, and a new regime was set up under the military leader Oliver Cromwell and what remained of Parliament. However, there were radical ideas that had been let loose, and there were some people who began to say, “This Cromwell and this Parliament—or what’s left of it—are beginning to act in the same way that the Stuarts did.” It doesn’t matter that the Stuarts were kings—that’s not the important point. What matters is how the government acts.

A group of writers joined together. Their major spokesman was John Lilburne, and the Leveller manifestos are available in a number of editions. Others included Richard Overton and William Walwyn. Lilburne had been arrested under Charles I for having violated the monopoly of the Stationers’ Company by importing books from Holland.

One of the characteristics of the absolute monarch, and especially of the Stuarts, was the creation of monopolies. Monopolies, as they were understood in those days, were special privileged grants given to private individuals by the state. Monopolies were not considered a natural outgrowth of the free market. This was purely a state invention, and in this case, this particular stationer’s guild or printer’s guild had a monopoly on importing books. Lilburne tried to import books and he was arrested. For this he was whipped down the length of Fleet Street and thrown into prison. But Lilburne noticed that the stationer’s monopoly was not abolished by the new revolutionary government but only renamed. The monopoly remained, and it was a thorn in his side and it turned him to thinking about whether this new regime was really much different from the previous one. (There was also a monopoly granted to the Merchant Adventurers company in foreign trade.)

What the Levellers demanded was this—here is a statement of theirs: “It shall not be in their power”—shall not be in *Parliament’s* power, not just the king’s power—“to continue or make any Laws to abridge or hinder any person or persons from trading or merchandising into any place beyond the Seas where any of this Nation are free to Trade.”¹⁵ The Levellers favored the abolition of foreign trade monopolies. They favored the abolition of tithes of any religion whatsoever. There should be no coerced support of religion. They were the first to present a comprehensive program, including the abolition of government monopolies,

¹⁵Lilburne, Walwyn, Thomas Prince, and Overton, “An Agreement of the Free People of England,” in *Leveller Manifestoes of the Puritan Revolution*, ed. Don M. Wolfe (New York: Thomas Nelson and Sons, 1944), pp. 405–7.

the total separation of religion and the state, freedom of the press, lower taxes, and a democratic reform of the franchise. They also believed that it was kind of mean of the English to try to exterminate the Irish.

They were given the name *Levellers* by their enemies who accused them of advocating an egalitarian leveling of all economic and social distinctions, which is patently untrue. As a matter of fact, the Canadian C.B. MacPherson maintained that the Levellers were a typical product of bourgeois liberalism and in fact favored restricting the franchise to those who paid taxes.¹⁶ So that paupers could not vote and domestic servants could not vote because they were considered too much under the influence of others; so that on the left, the Levellers are accused of being too bourgeois and pro-private property.

It's odd that Russell Kirk accepted the interpretation of the Levellers as egalitarians and grouped them together with the Diggers, who were in fact a communist sect at the time. Gerrard Winstanley and the Diggers—those were the communists of this turbulent period, and Russell Kirk neglected to make that slight distinction. The Levellers were important on two theoretical counts. First, they opposed the infringement on individual rights that came now not from the king but from Parliament. Second, they disconnected the ideas of liberty and right from the ancient metrics of historical privilege that characterized them in the Middle Ages. They did, from time to time, talk about the “Norman yoke.” That is a reference to how Anglo-Saxon Britain had enjoyed basic freedom and then the Normans came over and imposed a centralized oppressive government. They did talk in that way.

The Levellers are a transitional group. However, they went beyond that, and as one Leveller manifesto famously put it, Magna Carta itself is “but a beggarly thing”¹⁷—that is, we have to go beyond Magna Carta, which lists certain rights, to universal natural rights. Richard Overton, one of the main Leveller pamphleteers, put it in a very good quotation.

¹⁶According to J.C. Davis, Macpherson maintained that the Levellers sought to deny the vote to “criminals, delinquents, servants and alms takers.” See Davis, “The Levellers and Democracy,” *Past and Present* 40, no. 1 (July 1968): 175, <https://www.jstor.org/stable/650074>.

¹⁷Walwyn, quoted in Andrew Sharp, “John Lilburne and the Long Parliament’s ‘Book of Declarations’: A Radical’s Exploitation of the Words of Authorities,” *History of Political Thought* 9, no. 1 (Spring 1988): 37, <https://www.jstor.org/stable/44797088>.

This is what Overton said: “To every individual in nature is given an individual property by nature, not to be invaded or usurped by any: for every one as he is himself, so he has a self property”—property in your own self—“else he could not be himself, and on this, no second may presume or deprive of, without manifest violation and affront to the very principles of nature”—making it kind of metaphysical—“and of the Rules of equity and justice between man and man; mine and thine”—that is, private property—“cannot be, except this be; No man hath power over my rights and liberties, and I over no man’s.”¹⁸

This is a kind of pre-echo of Herbert Spencer’s law of equal freedom.¹⁹ And you can see we’re now in a different intellectual world from having recourse to ancient documents and promises of kings and pledges, and so on. This is the world of abstract natural rights. Now, although they were defeated, the Levellers left an important legacy of radical liberal thought among the English-speaking people.

They were defeated. Cromwell died, and Charles II returned in the Restoration. The Levellers tried to influence things through the New Model Army—that is, through actually gaining influence over the military personnel—but Cromwell and his people were able to thwart that. So, they never got very far. However, they left this legacy. Murray Rothbard calls them “the world’s first self-consciously libertarian mass movement.”²⁰ And he refers to Locke and his patron the Earl of Shaftesbury as working out a “neo-Leveller” synthesis.²¹

One of the Levellers was named Richard Rumbold, and he famously said, “None comes into this world with a saddle upon his back, nor any booted and spurred to ride him.”²² And that was later

¹⁸Quoted in Carl Watner, “‘Come What, Come Will!’: Richard Overton, Libertarian Leveller,” *Journal of Libertarian Studies* 4, no. 4 (Fall 1980): 410.

¹⁹George Bragues, “Herbert Spencer’s Principle of Equal Freedom: Is It Well Grounded?,” *Independent Review* 25, no. 2 (Fall 2020): 207–28, <https://www.jstor.org/stable/48617482>.

²⁰Rothbard, *An Austrian Perspective on the History of Economic Thought*, vol. 1, *Economic Thought before Adam Smith* (Cheltenham, UK: Edward Elgar, 2006), p. 313.

²¹*Ibid.*, p. 315.

²²Rumbold, “The Last Speech of Col. Richard Rumbold at the Market Cross at Edinburgh, with Several Things That Passed, at His Trial, June 26, 1685,” in *A Complete Collection of State Trials and Proceedings for High Treason and Other Crimes and Misdemeanors* (London, 1816), 11:881.

quoted by Thomas Jefferson—it was a premise of Jefferson’s. The idea extends from Jefferson and Tom Paine, in the American Revolution, to Richard Price and Joseph Priestly at the time of the French Revolution. It extends through the Jeffersonian and Jacksonian traditions in America, the Anti-Corn Law movement in Britain—and many other classical liberal and libertarian movements can be traced back to the Levellers.

THE IMPORTANCE OF JOHN LOCKE

Now, a name that everybody knows in the history of classical liberalism is that of John Locke. Locke is a great fountainhead of liberal thought in the English-speaking world. His ideas were crucial in the American colonies, especially as spread through the writings of Thomas Gordon and John Trenchard.²³ And with Locke, we have the conception of society as ruled before the establishment of government. Imagining government out of the picture, what would we have? Well, not a Hobbesian state of war of all against all but a state of being ruled by the law of nature and the fundamental idea of the law of nature being the right of each individual to his property. Property, if you read Locke carefully enough—or at least a little more carefully than some professors do—is a term that Locke gives not simply to material goods. It is the collective term he uses for the individual’s right to life, liberty, and estates. In agreement with Overton, Locke says you belong to yourself. Governments are established for no other purpose than to secure these rights better than they can be secured in a state of nature. When, instead, the government becomes a violator of the rights of the people, the contract is broken and the people’s right of resistance comes into operation.

This is very familiar to us, right? This is a certain part of the key conception in the first part of the Declaration of Independence. Jefferson said, in writing the Declaration of Independence, he didn’t consult any other works. Well, he didn’t have to, because he knew Locke by heart, on these points anyway. This Lockean view of what government

²³Thomas Gordon and John Trenchard wrote a lengthy series of essays for the *London Journal* during the 1720s. These essays were collected and printed as *Essays on Liberty, Civil and Religious* and popularized Locke’s writings and ideas. The essays became influential among many later liberals, including many American revolutionaries in the late eighteenth century.

is—and how it's related to protection of the rights of the individual and what those rights are—became standard for quite a while among English-speaking people. I would say it is still standard among the American people on some level.

It is now known through the work of Peter Laslett that Locke had developed these ideas long before the Glorious Revolution of 1688, which threw out James II and brought in William and Mary.²⁴ What has come out of the work of Richard Ashcraft now is a better understanding of Locke as a radical.²⁵ It turns out that Locke was deeply dissatisfied with the Glorious Revolution, the idol of so many weak writers afterwards. In a letter to a close friend, he criticized the new government for busying itself with “small matters” when “now they have an opportunity offered to find remedies and set up a constitution, that may be lasting, for the security of civil rights and the liberty and property of all the subjects of the nation.”²⁶

Well, there was, in other words, this more radical Locke that has been buried for quite a while.

A main consideration and a main thing to keep in mind in discussing the history of liberalism—unlike the way so many people, especially philosophers, do—is that liberalism was not simply a colloquy among talking heads, among philosophers, over the centuries. I started this series of talks by discussing the miracle of Europe and the institutional arrangements that came into existence. Liberalism is an ideology; it's an intellectual product. However, it developed over time, came into existence and developed over time, in close interaction with social reality. People saw society as it operated around them, they reflected on it, they distilled their ideas—that is, they went to a higher stage than what they saw prevalent in the society of their time, but it was a matter of a constant interaction. One of the best historians of Anglo-American liberalism, although she certainly is not a great

²⁴See Locke, *Two Treatises of Government: A Critical Edition with an Introduction and Apparatus Criticus*, ed. Peter Laslett (Cambridge: Cambridge University Press, 1963), pp. 46–47.

²⁵Richard Ashcraft, “Revolutionary Politics and Locke’s *Two Treatises of Government*: Radicalism and Lockean Political Theory,” *Political Theory* 8, no. 4 (November 1980): 429–86, <https://www.jstor.org/stable/190657>.

²⁶Locke to Edward Clarke, February 8, 1689, in *The Correspondence of John Locke and Edward Clarke*, ed. Benjamin Rand (Cambridge, MA: Harvard University Press, 1927), p. 289.

fan of the free market, is Joyce Appleby, of UCLA. Appleby wrote of England in the seventeenth century that it was then that people discovered

the underlying regularity of free market activity . . . and in so doing they had come upon a possibility and a reality. The reality was that individuals making decisions about their own persons and property were the determiners of price in the market. The possibility was that the economic rationalism of market participants could supply the order to the economy formerly secured through authority.²⁷

That is the mercantilist economy. She also wrote about America and the Jeffersonian tradition in America. This is of America in the later eighteenth century. She says,

In the eighteenth century, two features of the market economy fascinated contemporaries: the reliance upon individual initiative and the absence of authoritarian direction. . . . A century and a quarter of economic development had dramatically enhanced public opinion about voluntary human actions, and *society* [emphasis in the original] was the word that emerged to represent the uncoerced relations of people living under the same authority. It is this vision which animated the Jeffersonians.²⁸

This is easily illustrated by many authorities, such as we find with a famous statement by Thomas Paine that society under every condition is a good. The state, our government, on the other hand, is at best a necessary evil.²⁹ This contrast is between society—the realm of individual, voluntary interaction—and the state, which is the realm of coercion. Appleby says, since England was far away and there was no standing army and coercive policies were very hard to put into effect, pretty much a *de facto* laissez-faire society had come into existence in America. People saw that it worked—worked real fine—reflected

²⁷Appleby, *Economic Thought and Ideology in Seventeenth-Century England* (Princeton, NJ: Princeton University Press, 1978), pp. 187–88.

²⁸Appleby, *Capitalism and a New Social Order: The Republican Vision of the 1790s* (New York: New York University Press, 1984), pp. 22–23.

²⁹The original Paine quotation reads, “Society in every state is a blessing, but government even in its best state is but a necessary evil, in its worst state an intolerable one.” Paine, *Common Sense and other Political Writings* (Indianapolis, IN: Bobbs-Merrill, 1953), p. 4.

on that and then, as I say, raised the reflection to a higher level in the works, for instance, of Jefferson or Tom Paine.

EIGHTEENTH-CENTURY CONTINENTAL LIBERALS

So, the role of exemplary experiments in the development of liberalism in Europe was crucial. As Holland was the example to Europe, especially to England, so England became the example to Europe, especially to France and to Germany. Later, the example of America, the colonies and then the republic, exerted a strong influence on Germany, France, and elsewhere in Europe.

Poland, to take one example at random: the final attempted reforms of King Stanislaw Poniatowski and the Constitution of 1791 were affected by American ideas through Phillip Mazzei, the friend of Jefferson. Other examples could be given. Gradually, observation and deduction distilled and refined the basic concept of liberal social theory which I mentioned at the beginning of my talk. “Laissez-faire,” the idea that, by and large, civil society runs itself, was put in precisely these terms by the French: “Laissez-faire et laissez-passar, le monde va de lui même.” Laissez-faire, laissez-passar: the world goes by itself.

One of the prime advocates of this doctrine was “the Great Turgot,” Anne Robert Jacques Turgot. This use of “great” is unusual in historical discourse. Usually, historians reserve the term “great” for mass murderers or people who murder, maim, and blind their brothers so that nobody else should have a claim to the throne. These are people who enserfed whole classes of the population, as Catherine the Great helped do in Russia, and so on—or people who unleashed world wars, in eighteenth-century terms, as Frederick the Great did in Prussia. But Turgot was an actual benefactor of the people and is sometimes, at least, called “the Great.”

In his chapter on Turgot in his *History of Economic Thought*, Rothbard considers Turgot to be a dazzling economist.³⁰ I think that the chapter begins something along these lines: at a chess tournament—Murray loved chess—they give prizes for the most brilliant play, not necessary the most successful or most smashing; but stylistically brilliant, or really

³⁰See Rothbard, *History of Economics Thought*, vol. 1, chap. 14, “The Brilliance of Turgot.”

chic, you might say. And Murray thought that Turgot was such an economist in what he did with his short book on economic theory, which appeared considerably before Adam Smith.³¹

Turgot was one of the philosophes. He was not a militant anti-Catholic or atheist, as some of the others were. He was the mentor of the Marquis de Condorcet, who was very highly thought of among the philosophes. And then, for a very brief while, Louis XVI became king. Turgot was brought in as finance minister in order to save the very troubled French monarchy, and he brought in some reforms, very needed reforms, and was planning on doing away with the *corvée*—forced labor—for instance. Turgot was doing away with the guilds and was planning other reforms, such as toleration of the Protestants and regional representative institutions. But he was done in, in very clear public choice terms, by the cabal of the court, headed by Marie Antoinette. Without Turgot's reforms, probably the last chance of the Bourbon monarchy was gone, and Louis XVI and his wife were going to be paying for that in a few years' time.

Nonetheless, he was remembered very fondly by lovers of freedom in France. To give an example of how social thought, and liberal thought, was being advanced at the time, this is what Turgot wrote:

Thus our policy should surrender itself to the course of nature, and the course of commerce, which is no less necessary and no less irresistible than the course of nature, without seeking to direct this course. For, in order to guide it without disturbing it, and without injuring ourselves, it would be necessary for us to be able to follow all the changes in the needs, the interests, and the industry of mankind. It would be necessary to know these in such detail as would be physically impossible to obtain. . . . Even if we had for all these particulars the mass of knowledge which is impossible to gather, the result would only be to let things go precisely as they would have gone by themselves, by the simple action of the self-interest of man, enlivened and held in check by a free competition.³²

³¹Turgot, *Reflections on the Formation and Distribution of Wealth*. The original French version was written in 1766 and first published in 1770.

³²Turgot to l'Abbé Terray, December 24, 1773, in *The Turgot Collection: Writings, Speeches, and Letters of Anne Robert Jacques Turgot, Baron de Laune*, ed. David Gordon (Auburn, AL: Ludwig von Mises Institute, 2011), p. 256, <https://mises.org/library/book/turgot-collection>. In the original lecture, Raico employs a

Those of you who are familiar with the history of the Austrian school, I think, can see that this rings a bell. This is Mises's, and then Hayek's, amplification of the theory of the role of knowledge and society and why central planning is ultimately impossible and futile.³³ The decentralized, even tacit, knowledge of the economy that exists everywhere, and scattered, cannot be brought together, and the central planners are doomed from the start. Here we have that central idea as expressed by Turgot.

ADAM SMITH AND THE SCOTTISH ENLIGHTENMENT

Now, in the eighteenth century, there was, of course, the French Enlightenment, much of which can be considered dubious. I'm going to be talking about Rousseau later on. There was also, however, something that has gotten more attention recently, and that is the Scottish Enlightenment—well, “recently,” in the past thirty years or so. The chief figures of this were Adam Smith, David Hume, Adam Ferguson.

Hayek was very fond of the Scottish school and loved Adam Smith in particular. Rothbard was not nearly so fond. In regards to Adam Smith, Murray could never really take some intellectual figure and say, “Well, this is where I disagree with the man, and he has a right to his own opinion.” Murray had to totally smash him. And he does this in regard to Adam Smith and thinks of him as a retrogression from what the Spanish Scholastics, let alone French economists like Turgot, had accomplished.

There's a debate whether Adam Smith believed in the labor theory of value, but certainly he gives enough reason in *Wealth of Nations* to support the labor theory of value. In criticizing Smith, though, it's not as if Rothbard was going in some crazy direction all by himself. Joseph Schumpeter pretty much says the same thing. People who attacked Rothbard—some of the reviewers attacked Murray for being too critical of Smith—should look up Schumpeter.³⁴ What I would say is this:

different translation and paraphrases slightly. Here, I have used the quotation as it appears in the Gordon edition.

³³See Mises, *Economic Calculation in the Socialist Commonwealth*, trans. S. Adler (Auburn, AL: Mises Institute, 1990), <https://mises.org/library/book/economic-calculation-socialist-commonwealth>.

³⁴Among Schumpeter's many criticisms of Smith was his contention that Smith was unoriginal, and “the fact is that the *Wealth of Nations* does not

leaving aside Smith as an original economist and contributor to the development of economic theory, Smith's influence—the *influence* of his implied and sometimes-made-explicit social policy and political policy—was for the good.

This was the impact that he had on the Continent. To take one example of a view that Smith expressed,

Little else is a requisite to carry a state to a highest degree of opulence from the lowest barbarism, but peace, easy taxes and tolerable administration of justice, that is the rule of law, peace, low taxes and the rule of law, all the rest being brought about by the natural course of things.³⁵

That was, in fact, quoted by the Australian economist E.L. Jones I mentioned in the last lecture in his book on the European miracle.³⁶ That is the position of these European-miracle-, institutional-approach-type economists: that what we have to explain is the lack of economic progress in many places. That's explained by the state acting, among other things, in its traditional role as predator on society. If, instead of that, we had what Smith recommended—that is, peace, easy taxes, and the rule of law—then you would find some economic development, at least, everywhere. This general view and this idea of the invisible hand, which lends itself to the *laissez-faire* idea, did help in a positive direction in the decades after. An example of this, an example of the power of ideas, is a man who wrote the first biography of Adam Smith, his own student Dugald Stewart. Stewart occupied the chair of moral philosophy at the University of Edinburgh for twenty-five years until 1810. He taught that a great part of the order which “we are apt to ascribe to legislative sagacity is the natural result of the selfish pursuits of individuals.”³⁷ These are practically the same words used

contain a single *analytic* idea, principle, or method that was entirely new in 1776.” Schumpeter, *History of Economic Analysis* (New York: Routledge, 1954), p. 184.

³⁵Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (Glasgow, 1870), p. 13.

³⁶See Jones, *European Miracle*, p. 235.

³⁷Stewart, *Elements of the Philosophy of the Human Mind* (Albany, NY, 1821), 2:122.

by Tom Paine.³⁸ Much of the order we find in society comes from individuals pursuing their own self-interest.

For twenty-five years, Stewart taught at the University of Edinburgh. Among his students were Francis Jeffrey, the first editor of the *Edinburgh Review*. The *Edinburgh Review* was the great review of Whig classical liberal thought in the first half of the nineteenth century in England. Thomas Babington Macaulay, for instance, wrote almost all of his essays for the *Edinburgh Review*. Also among Stewart's students were Henry Brougham, the famous Whig member of Parliament; Henry Reeve, who was the first translator of Tocqueville's *Democracy in America*; Sydney Smith was a great Anglican clergyman, liberal politician, and liberal polemicist and favored Catholic emancipation and other liberal reforms. There's a great quotation that Murray Rothbard liked from Sydney Smith—who was kind of a wit—about all of the unfortunate, deplorable consequences of England involving itself in everybody's troubles throughout the world. He was an isolationist as well, and Smith wrote an aristocratic friend of his,

I am sorry for the Spaniards—I am sorry for the Greeks; I deplore the fate of the Jews; the people of the Sandwich Islands are groaning under the most detestable tyranny; Baghdad is oppressed; I do not like the present state of the Delta; Tibet is not comfortable. Am I to fight for all these people? The world is bursting with sin and sorrow. Am I to be champion of the Decalogue, and to be eternally raising fleets and armies to make all men good and happy? We have just done saving Europe, and I am afraid that the consequence will be, that we shall cut each other's throats. No war, dear Lady Grey!—No eloquence; but apathy, selfishness, common sense, arithmetic!³⁹

³⁸Paine's version of this statement is found in *Rights of Man*: "A great part of that order which reigns upon mankind is not the effect of government . . . society performs for itself almost everything which is ascribed to government." See Paine, *Common Sense and other Political Writings* (Indianapolis, IN: Bobbs-Merrill, 1953), p. 116.

³⁹In the original lecture, Raico paraphrases Smith, but I have included the original quotation, which is quoted by Rothbard in a 1962 memo to Kenneth Templeton of the William Volcker Fund. The Smith quotation is from a letter to Lady Grey, dated February 19, 1823. See Smith, *The Wit and Wisdom of the Rev. Sydney Smith* (London, 1869), p. 343.

Among the other students of Stewart was a man named James Mill, also Lord Palmerston—not that he was such a great liberal—and Lord John Russell. Palmerston and Russell were the two most influential Whig politicians of the middle-nineteenth century, and these people all had studied under Stewart. It was not necessarily that they learned all of liberal philosophy from him, but they were influenced, in some cases to a large degree, in some cases to a somewhat lesser degree.

THE FRENCH REVOLUTION AND ITS EFFECTS ON LIBERALISM

Then comes the French Revolution. In discussing the history of liberalism, there are a number of distorting factors. One is to consider the French Revolution, *even fundamentally*, a liberal revolution. Yes, in the end, there were some liberal reforms made. Religious toleration, for instance, and equality of classes before the law. But these were reforms that were in the cards. These were reforms that the French monarchy was edging towards—it was not going to happen in two years.

On the other hand, what did the French Revolution do? It brought in twenty-five years of war that only ended at Waterloo, so it put *back* reform in many respects. You have to ask yourself whether the quickening of the pace of reform, of the necessary and liberal reforms, was worth what they had to go through.

We further see the lack of liberalism among the revolutionaries in the fact that the French revolutionaries' "Declaration of the Rights of Man and of the Citizen" is in no way as unequivocal as the American Bill of Rights. The French declaration says, for instance, there shall be freedom of thought, even for religion, "within the limits of the law." They never got to the American point, which was that Congress *shall make no law* regarding the establishment of a religion or prohibiting the free exercise thereof. Now, of course, this didn't mean separation of church and state within the American states, but it meant that the federal government could do nothing along these lines. And then, to my mind, you didn't need the Fourteenth Amendment and incorporation of the Fourteenth Amendment toward using the Bill of Rights against states.

What would have happened along the lines of ordinary federalism—that is, if people of a certain denomination were discriminated against or taxed in a certain state? There'd be a tendency to move somewhere else. The states that continued such discrimination—or establishment of a religion to some degree or another—would suffer for it,

economically and otherwise. Eventually—I don't know how long, but in a few decades—the state in question would abolish its favoritism among denominations.

This is, in fact, what happened even before the period of the time of the incorporation of the Bill of Rights through the Fourteenth Amendment. The states in virtually every case, even before the Civil War, had abolished any kind of religious superiority among denominations such as the Episcopal Church, which had at first been privileged in Virginia. The Congregationalists had been privileged in Massachusetts. That did fade away, even without a central government forcing the states to do it.

In France, we could have had these reforms eventually—and peaceful organic reforms are always superior to revolution and subsequent war unless we're talking about extreme cases.

The French Revolution led to a series of disasters, one after the other. The inflation of the assignat paper money brought about price controls and other measures. The confiscation of the church land, which not only shook the principle of private ownership of land but also presented the problem of what to do about the church now. How is the church to be supported? That brought the state into the question. The French state, from then on, as in most European countries, continued to support the church afterwards. It wasn't just the Catholic Church but other denominations as well.

They did not learn the American principle of "there shall be no law"—shall make no law establishing a religion. That would have been total separation, leaving religion, among many other things, to society rather than monopolizing the religious realm by the state.

The French Revolution—having been lived through and experienced and witnessed—led to changes in liberalism itself. The liberals, by and large, had welcomed certain of the early reforms and the so-called first phase of the revolution. But there had also been the emergence of unexpected—of unheard of—violations of individual liberty. There was, for example, the Reign of Terror of 1793–94, which was claimed to be warranted by popular sovereignty.

And then there was the reign of Napoleon, whose actions were confirmed by democratic plebiscites and who brought centralization of government power to new heights. This was an important innovation of Napoleon's, followed then by his nephew Napoleon III and also

by the dictators of the twentieth century: that they have their actions confirmed, okayed, in a pseudodemocratic way, by having plebiscites.

Two things the liberals learned: First, that democracy, the alleged rule by the people, may in fact represent the rule of a determined minority that aims to control society. Second, the liberals were infused with what has been called “state hatred.” Before this, the liberals—many of them—had felt that the state was essentially a neutral device that could be utilized in favorable conditions to bring about many valuable reforms in society. After the revolution, many liberals now saw the state as a locus of constant threats to freedom and as a self-interested enemy—a standing enemy—and perpetual enemy of civil society.

Earlier on, someone like Turgot—certainly someone like Voltaire—thought and said, “How do you bring about these necessary reforms towards individual freedom in society?” The idea was, “Well, you whisper in the ear of the king, and the king now has all the power that’s necessary, and he will bring about the reforms so the society can be improved in this way.” Afterwards, many liberals understood that whoever controlled the state apparatus—whether they said that they were legitimized by democratic majorities, as revolutionary governments did, or if they claimed, like Napoleon, to be legitimized by plebiscite once in a while—could use the state to seriously damage civil society. Thus, the state had to be looked on with suspicion.

Lecture 3

John Stuart Mill

John Stuart Mill played a crucial role in the transition from the older liberalism—the laissez-faire liberalism—to the new liberalism, a type of democratic socialism.

It is, to my mind, a disservice when a typical college course that deals with the history of political thought does this: As an example of eighteenth-century liberalism, they'll maybe have Adam Smith. As an example of nineteenth-century liberalism, they will have John Stuart Mill. They'll present it as John Stuart Mill versus Karl Marx or Friedrich List and use the idea that Mill is the exemplary liberal of the nineteenth century. One reason that he's very attractive to people is that he had a very good writing style. There's no doubt about that. And his writing style is superficially very logical and rational. But there are very serious problems with Mill from an authentic liberal point of view that I'll be pointing out. Much of the confusion prevailing in the whole problem of defining and understanding liberalism can be traced to Mill.

To my mind, he occupies a vastly inflated position in the conception of liberalism entertained by English-speaking people. This is an example of Anglocentrism, you might say. It is a scandal how few American social-scientific university professors cannot easily read even modern European languages like French and German. I happen to know this is a fact in connection, for instance, with the Stanford University history department, although they have great scholars. On the other hand, there is this lack of having access to works of Continental writers that have not been already translated.

James Buchanan, when he undertook his study of public finance, learned Italian—which I think must be a very rare accomplishment among American economists—in order to read the rich treasury of economic thought among the Italian economists of the late nineteenth century and early twentieth century. The lack of the ability to access some of the most important Continental political figures leads to ridiculous overemphasis on the British tradition, to my mind.

A man that I'll be mentioning a number of times, I think from now on, is one of my favorite authors altogether: Benjamin Constant. Constant wrote an enormous amount on political philosophy and other subjects. It was only a few years ago, in the Cambridge "blue" series of political thinkers, that some of his major writings on political philosophy became available in English. George Sabine's history of political thought doesn't even mention Constant, although I would be prepared to argue that he was the most important liberal philosopher of the nineteenth century.¹ He was worlds ahead of Mill, as far as I'm concerned, and Mill was a disaster on a number of fronts.

In economics, Mill held that "the principle of individual liberty is not involved in the doctrine of free trade."² He is using "free trade" in the sense of economic freedom: freedom of trade, not just internationally. But for Mill in *On Liberty*, in general, the principle of freedom is not involved in economic affairs. In contrast, Milton Friedman quotes a great letter that Benjamin Franklin sent to one of the French physiocrats where Franklin said that he thought that liberty of exchange—liberty of contract, liberty to work, and the liberty to buy and sell—is even more important than any civil liberty. The freedom to trade is more important than freedom of expression, for instance, because it deals with the freedoms people need every single day of their lives and the freedom that everyone needs. This is not just the intelligentsia and the publishers but *everyone*.³

¹Sabine, *A History of Political Theory* (New York: Holt, Rinehart and Winston, 1961). First published 1937.

²Mill, *On Liberty* (London, 1864), p. 171.

³The source appears to be a letter from Franklin to the abbé Morellet, April 22, 1787, in *The Works of Benjamin Franklin*, ed. John Bigelow (New York: G.P. Putnam's Sons, 1904), 11:326. Franklin writes, "I am of the same opinion with you respecting the freedom of commerce. . . . Nothing can be better expressed than your sentiments are on this point, where you prefer liberty of trading, cultivating, manufacturing, etc., even to civil liberty, this being affected but rarely, the other every hour."

So, here we have Mill going in the opposite direction and saying that economic freedom is not really part of the concept of freedom he's going to be dealing with. Mill provided ammunition for the protectionist arsenal. Richard Cobden, the great free trader of the mid-nineteenth century, complained of one of Mill's writings that this has undone any good he might have done in any other respect by providing arguments in favor of protection for infant industries.⁴ Mill rejected the liberal notion of the long-run harmony of interests of all social classes, including entrepreneurs and workers, on the grounds that "to say that they have the same interest . . . is to say that it is the same thing to a person's interest whether a sum of money belongs to him or to someone else."⁵

Following that reasoning, in arguing that anticapitalism is one of the hallmarks of liberalism, the well-known English political philosopher Alan Ryan invokes none other than John Stuart Mill, who wrote in the middle of the nineteenth century, "The generality of laborers in this and most other countries have as little choice of occupation and freedom of locomotion . . . as they could . . . on any system short of actual slavery."⁶

This at a time when English and other serfs were migrating *in the millions* to towns, cities, and even to foreign countries. It has to have been someone like Mill—who spent his life as a philosopher and writer but otherwise made his living as a bureaucrat for the British East India company—not to have noticed what was going on around him. There was this vast migration, when Mill says that it's virtually impossible for working people to move from one place to another. As I'll discuss this afternoon, Mill was a disaster in international affairs, where he repudiated the liberal principle of nonintervention.

⁴Quoted in A.V. Dicey, *Lectures on the Relation between Law and Public Opinion in England during the Nineteenth Century* (London: MacMillan, 1963), 429n2. Specifically, Cobden says, "I believe that the harm which Mill has done to the world by the passage of his book on Political Economy in which he favors the principle of Protection in young communities has outweighed all the good which may have been caused by his other writings."

⁵Richard Ashcraft, "Class, Conflict, and Constitutionalism in J.S. Mill's Thought," in *Liberalism and the Moral Life*, ed. Nancy L. Rosenblum (Cambridge, MA: Harvard University Press, 1989), p. 114.

⁶Ryan, "Liberalism," in *A Companion to Contemporary Political Philosophy*, ed. Robert E. Goodin and Philip Pettit (Oxford, UK: Blackwell, 1993), p. 209.

MILL'S NOVEL DEFINITION OF "LIBERTY"

Worst of all was Mill's deformation of the concept of liberty itself. His most famous work, *On Liberty*, tends in that direction. Liberty, it seems, according to Mill, is a condition that is threatened not only by physical aggression on the part of the state or other institutions or individuals; rather, society often poses even worse dangers to individual freedom. For example, Mill believes society threatens liberty with "the tyranny of the prevailing opinion and feeling"⁷ and the tendency "to impose by other ways than civil penalties, [society's] own ideas and practices as rules of conduct on those who dissent from them."⁸ Society "compels all characters to fashion themselves upon the model of its own."⁹

This is nonaggressive and noncoercive in the ordinary sense but is "tyranny" according to Mill. This is in *On Liberty*, the great liberal manifesto, supposedly. A true liberty, according to Mill, requires autonomy because adopting the traditions or customs of other people is simply to engage in "ape-like . . . imitation."¹⁰ Whereas others see individuals choosing goals laid out for them by what they freely accept as authoritative institutions—this is the *real* liberal position—Mill perceives the extinction of freedom. In other words, for instance, if you're a Roman Catholic and accept the authority of the Catholic Church, the magisterium, you're not exercising your freedom, you're engaging in ape-like imitation. The situation is similar for a member of any other church, for that matter. In a striking and preposterous illustration, Mill writes, in *On Liberty*, "An individual Jesuit is to the utmost degree of abasement, a slave of his order."¹¹ One wonders what is supposed to follow from this. Must we form abolitionist associations to emancipate the willing slaves of the Society of Jesus? One wonders also how Mill and his alter ego, Harriet Taylor, could ever have imagined themselves entitled to legislate on the status of members of the Catholic or Orthodox orders, the status of Orthodox Jews, devout Muslims, and of other believers.

⁷Mill, *On Liberty* (London, 1864), p. 13.

⁸Ibid., p. 13.

⁹Ibid., p. 14.

¹⁰Ibid., p. 106.

¹¹Ibid., p. 202.

His comment on the Jesuits illustrates a facet of Mill too rarely noticed. He was, in the words of Maurice Cowling, “one of the most censorious of nineteenth-century moralists.” Mill constantly passed judgment on the habits, attitudes, preferences, and moral standards of great numbers of people of whom he knew nothing. As Cowling dryly observes, “Bigotry and prejudice are not necessarily the best descriptions of opinions which [August] Comtean determinism has stigmatized as outdated.”¹²

Now, there’s beginning to be a literature on Mill the authoritarian, Mill the secret duplicitous authoritarian. I mentioned Maurice Cowling, who has a short book on the subject. Joseph Hamburger of Yale published a posthumous work on the subject.¹³ Recently, Linda Raeder, who teaches at a Florida university, wrote *Mill and the Religion of Humanity*. The book outlines in detail, not just in *On Liberty* but in his other works, what Mill’s secret agenda was.¹⁴ But, as I say, in the shorter work by Hamburger, he examines the dark side of John Stuart Mill, and Hamburger, like most anybody else, said he long entertained the view that John Stuart Mill was a true believer and an exemplary proponent of individual freedom. But, like Raeder does in more detail, Hamburger examines not only *On Liberty* but Mill’s other writings and letters and the personal testimony of his friends. Hamburger’s conclusion is that the freedom of opinion espoused by Mill in *On Liberty* was largely part of a grand strategy. The strategy was to implement total freedom of opinion in England in order to demolish religious things, especially Christianity and the received mores.

Now, I don’t want to engage in ad hominem arguments—except, I will later in the week in regards to people who certainly deserve it, like Jean-Jacques Rousseau. But this I will say: that when an individual has “lifestyle problems,” that’s up to the individual, and it’s a private matter. That’s fine. However, when these problems fuel and provide the basic impetus behind one’s political philosophy, then it becomes a problem. John Stuart Mill had this problem with Harriet Taylor, who

¹²Cowling, *Mill and Liberalism* (Cambridge: Cambridge University Press, 1963), pp. 143–44.

¹³Hamburger, *John Stuart Mill on Liberty and Control* (Princeton, NJ: Princeton University Press, 1999).

¹⁴Raeder, *John Stuart Mill and the Religion of Humanity* (Columbia, MO: University of Missouri Press, 2002).

was a married woman. I discussed this once with John Gray, who's not now my favorite guy, but he's a smart guy, a political philosopher, and knows a lot about Mill and has taught at Oxford and now at the University of London. Gray agreed with me: if Mill had been French at the time, it would not have been this big problem that Mill had an affair with Harriet Taylor. He would not have felt the need to erect this assault on society and its mores into the cornerstone of his political thought.

Someone like Benjamin Constant, for instance, had the mores of the eighteenth century and did that kind of thing, but it's different for someone with Constant's background. Mill, I think, felt pretty agonizingly constrained by his heritage. His father was an atheist but from a Scottish Calvinist background through and through. The moral values were still there so that Mill had to lash out against society, I think, for what basically was his own particular problem. In any case, Hamburger—and Raeder in more detail—showed that in Mill's view, once Christianity and the mores of English Victorian society were destroyed, then true individuality would be incarnated in the future “Millian man.” Mill uses the term on the model of “Soviet man.” The Millian man dreamt of by Mill and the lady who became his wife, Harriet Taylor, is the exemplar of someone in whom selfishness and greed would be replaced by altruism and the cultivation of the higher faculties.

Now, we understand that in economics and international relations, Mill was a problem for people dealing with liberalism but I think mainly in this area. The fateful linking of liberalism to an adversarial stance, vis-à-vis tradition and social norms, stems from Mill. It has unfortunately become standard. Owen Chadwick is a famous historian of religion and Dixie Professor Emeritus at Cambridge, and this is what he wrote about liberalism:

A liberal was one who wanted more liberty, that is, more freedom from restraint; whether the restraint was exercised by police, or by law, or by social pressure, or by an orthodoxy of opinion which men assailed at their peril. . . . The liberal thought that men needed far more room to act and think than they were allowed by established laws and conventions in European society.¹⁵

¹⁵Chadwick, *The Secularization of the European Mind in the Nineteenth Century* (Cambridge: Cambridge University Press, 1975), p. 22.

Note how in this statement no distinction is made between state coercion, on the one hand, and social pressure, orthodox opinion, and conventions, on the other. A famous British historian of political thought is a man named John Dunn. Dunn wrote, "If the central dispositional value of liberals is tolerance, their central political value is perhaps a fundamental antipathy towards authority in any of its forms. . . . Dispositionally, liberalism has little regard for the past."¹⁶

So much for Thomas Babington Macaulay, Augustin Thierry, W.H. Lecky, Lord Acton, and all the other liberal historians we could mention. Descriptions of Chadwick's and Dunn's are much more expressive of the antinomian, lawless, normless mentality of contemporary Western academics and the contemporary Western chattering classes than of liberalism historically.

Mill's view tends to erase the rather critical distinction, I would say, between "incurring social disapproval and incurring imprisonment."¹⁷ It leads to pitting liberalism against innocent, noncoercive traditional values and arrangements, especially religious ones. It also forges an offensive alliance between liberalism and the state—even if contrary to Mill's intentions—since it is hard to see how one can be sure of uprooting traditional norms except through the massive use of political power. Contemporary writers connected to the Millian project of enjoining autonomy as the highest possible good do not shrink from advocating this course, presumably unaware of its totalitarian implications.

Paul Gottfried has illustrated this in his two small books *After Liberalism* and *Multiculturalism and the Politics of Guilt*.¹⁸ In this new liberalism, autonomy becomes the guiding star—autonomy understood as the rejection of tradition, the rejection of inherited social norms, the rejection of religion. The people who take this position then feel perfectly free, as you can see everywhere in America today and Western

¹⁶Dunn, *Western Political Theory in the Face of the Future* (Cambridge: Cambridge University Press, 1979), p. 29.

¹⁷T. Patrick Burke, *No Harm: Ethical Principles for a Free Market* (New York: Paragon, 1994), p. 30.

¹⁸Gottfried, *After Liberalism: Mass Democracy in the Managerial State* (Princeton, NJ: Princeton University Press, 2001) and *Multiculturalism and the Politics of Guilt: Towards a Secular Theocracy* (Columbia, MO: University of Missouri Press, 2002).

Europe, to use the state, its educational institutions, and its various other institutions to, as much as possible, erase the inherited traditions and values of the past and replace them with Mill's idea of what is supposed to be autonomy.

THE MILL-KEYNES DISTORTION OF LIBERALISM

Now, I want to mention one other famous writer whose point of view has also distorted the meaning of liberalism. This other writer has added to this conceptual mayhem where liberalism can mean virtually anything—anything, of course, except Nazism—and that's John Maynard Keynes.

Keynes is another troubled individual. You'd think on the face of it that there'd be a *prima facie* case not to call him a liberal, since the hallmark of liberalism is the idea that society can run itself. That's how liberalism started: in the rejection of mercantilism and state authoritarianism in every respect in the eighteenth century—or the seventeenth century, with the Levellers. Society runs itself: voluntary agreements based on the principle of private property pretty much take care of everything.

Keynes is most famous for rejecting this idea in the core area of classical liberalism and in economics. Keynes maintained that an unregulated market economy cannot achieve full employment and is subject to regular depressions and business fluctuations very damaging to the masses of people. This is his economic theory, which has been exploded many times now. However, beyond that, he was also a social philosopher and, I think as with Mill, first of all, the fact that he's in the British tradition gives him a head start in the minds of many people. But Keynes also benefits from his style and tone, which is generally very calm, rational, civil in expression, and reserved. This appeals to people. But I would submit to you that tone and style should not be definitive of what a true, authentic liberal is. That measure should be based more on the content of the person's thought.

One thing that's odd about Keynes is his sympathy for totalitarian experiments in the 1920s and 1930s. Oh sure, on his visits to the Soviet Union in the 1920s, he didn't like the suppression of thought and of dissenters. This was very typical, again, of his kind of liberalism—the emphasis on the problems encountered by the intelligentsia. These were the people who liked to talk and think and publish their views.

There were other people who suffered in the Soviet Union and suffered much more massively.

I don't know if you've ever noticed, but very often people began complaining about Stalinism at the time of the purge trials. The purge trials were directed against the leaders of the Communist Party, Stalin's rivals. The masses of people who'd been oppressed and *killed by the millions*, the peasants and small businesspeople and working people? The intellectuals seemed to take that in stride: "Well, that's kind of the price for building up socialism." But when an intellectual like Leon Trotsky is put on trial and condemned to death in absentia, the intellectuals get very excited and John Dewey sets up an international commission to investigate the case of Leon Trotsky.¹⁹

What about the case of "Ivan Smirnoff"—or whoever—and his family and his kids that have died of starvation in some Ukrainian village? That wasn't too much of a problem for many of these so-called liberals.

Keynes, in his visits to the Soviet Union, was critical of this aspect. On the other hand, he made very strange statements about the Soviet leadership. He claimed we have to at least give credit to the Soviet leaders for extricating the crazy love of money—which is a hallmark of our own civilization and the worst moral failing of our civilization. In Keynes's mind, in the Soviet Union, the communist cadres worked for the sake of the community. Here, Keynes was in perfect harmony with his good friend Beatrice Webb, who said the same thing at the time and remained a good friend of Keynes. She was one of his best friends up until the time she died in 1943.

There's a famous essay of his that appeared in the *Yale Review* in June 1933. It's also in his collected works, but the collected works do not contain everything he says in that *Review* article. Keynes praises the "experiments" now going on in Italy, Germany, and the Soviet Union.²⁰ Keynes says he doesn't agree with everything that they're doing, and the Nazis especially. They are wild, crazy people. On the

¹⁹Raico is referring to the Dewey Commission (officially the "Commission of Inquiry into the Charges Made against Leon Trotsky in the Moscow Trials"), which was initiated in March 1937 by the American Committee for the Defense of Leon Trotsky.

²⁰Keynes, "National Self-Sufficiency," *Yale Review* 22, no. 4 (June 1933): 755–69.

other hand, Keynes continues, they at least have the courage to experiment, which is something that nobody in the West is prepared to do. We're stuck with this old laissez-faire system, and the people of the establishment—he meant the Treasury and the British government and the Bank of England—think that laissez-faire is going to save us. Keynes says it won't, and instead Keynes says he wishes these experimenters well. After all, Keynes says *he has experiments of his own*—this is almost a quote—that he wants to carry out. Keynes also, by the way, wrote the preface to the 1936 German edition of the *General Theory*, which is very questionable. He talks about how his system is more adapted to a country like Germany than it is to a country like England or America. By the way, that is not due to any mistranslation; that's what appears in the English draft.

What I want to mention now is a statement that Keynes makes in a radio broadcast of June of 1936.²¹ He reviews books, and here he reviews a massive tome that has just come out from Sidney and Beatrice Webb called *Soviet Communism: A New Civilisation?* Famously, the first edition of that had a question mark after “New Civilisation,” but later editions dropped the question mark.²² This book of theirs is noted as probably the most notorious and really infamous act of any fellow travelers in the whole sordid history of fellow traveling with Stalinism during the 1930s and 1940s. Most of the information comes directly from the Soviet sources, and the book is an apologia for what Stalin is doing. This is 1936. The book was published in Russian translation in the Soviet Union, as the Webbs note, very nicely produced with paper, and so on. The Soviet authorities welcomed it. So, you would expect, then, a liberal like Keynes in his radio review to attack this book. That's not what he does. He says, “*Soviet Communism* is a book which every serious citizen will do well to look into”:

Until recently events in Russia were moving too fast and the gap between paper professions and actual achievements was too wide for a proper account to be possible. But the new system is now sufficiently crystallised to be reviewed. The result is impressive. The Russian innovators have passed, not

²¹Keynes, *Social, Political, and Literary Writings*, vol. 28 of *Collected Writings*, ed. Donald Moggridge (London: Macmillan, Cambridge University Press, and St. Martin's Press for the Royal Economic Society, 1982).

²²Sidney Webb and Beatrice Webb, *Soviet Communism: A New Civilisation?* (New York: Charles Scribner's Sons, 1936).

only from the revolutionary stage, but also from the doctrinaire stage. There is little or nothing left which bears any special relation to Marx and Marxism as distinguished from other systems of socialism. They are engaged in the vast administrative task of making a completely new set of social and economic institutions work smoothly and successfully over a territory so extensive that it covers one sixth of the land surface of the world.²³

That also, I guess, is supposed to make him a liberal: that he is against any kind of principles and in favor of “constant adjustment to experience”:

The largest scale empiricism and experimentalism which has ever been attempted by disinterested administrators is in operation. Meanwhile the Webbs have enabled us to see the direction in which things appear to be moving and how far they have got. It leaves me with a strong desire and hope that we in this country—in Britain—may discover how to combine an unlimited readiness to experiment with changes in political and economic methods and institutions while preserving traditionalism and a sort of careful conservatism.²⁴

That’s very typical of Mill. Try and make sense of that: “Unlimited desire to experiment and change things, combined with a careful conservatism.” What is he saying?

Now, it happens that some famous authors like T.S. Eliot and H.L. Mencken, for instance, and a number of others, made unfortunate comments in regard to Jews and sometimes in regard to National Socialism in Germany in this period. These comments were unfortunate and mistaken and deplorable sometimes. However, the whole world resounds with that fact—that all of these authors are somehow guilty of antisemitism and helped along the road to Auschwitz, and so on. You never stop hearing about that, if you follow these things as I do.

Why don’t we hear about Keynes’s defense of Stalinism? You may know of the man who’s just finished the third and last volume of his great biography of Keynes, Robert Skidelsky. Lord Skidelsky has been

²³Beatrice Webb, *The Diary of Beatrice Webb*, vol. 4, 1924–1943, ed. Norman and Jeanne MacKenzie (Cambridge, MA: Harvard University Press, 1985), p. 370.

²⁴Keynes, *Social, Political and Literary Writings*, pp. 333–34.

raised to the peerage, I think, because of this great biography. Well, in the second volume, where he should have mentioned this radio talk by Keynes—which can be found in Keynes’s collected works—it’s not there.²⁵ I wrote Lord Skidelsky, and I asked him how come this did not appear. How come it didn’t appear in a major article he wrote on Keynes and the Fabians?²⁶ Sidney and Beatrice Webb were the leaders of the Fabian Society. Skidelsky wrote back and said, “Well, there are reasons that explain why Keynes wrote this. He was friendly with the Webbs and he wanted to promote their book. He was afraid that some Russian friends of his, who had relatives in the Soviet Union, would feel the repercussions, if he wrote negatively about the Soviet Union.” Skidelsky said he’d try to put this in somehow in the third volume. He didn’t put it into his third volume.²⁷

As far as history goes, Keynes’s defense of Stalin has disappeared. What explains that? This is an outrageous thing for Keynes to have written. By that time, anybody who wanted to know could find out what was happening in the Soviet Union and find out about the Ukrainian terror famine that claimed—we don’t know for sure—six, seven, or eight million people, with cannibalism in the villages. People in Keynes’s time could find out about the gulag that had been set up by Lenin. They could find out about the constant executions that were going on, producing killing fields containing tens of thousands of bodies. Anybody could have found out about this. It was in the anarchist press. It was in the socialist press. It was in the Catholic press. It was in some of the conservative press also. So, he didn’t have to go by the lies of the Webbs to judge what was happening in the Soviet Union. Well, I want to say that this is a very odd thing for a model liberal to have written. Keynes isn’t even just a model liberal. There are anthologies of liberal thought that say, “liberalism from John Locke to John Maynard Keynes,” as if he were the culmination of liberalism.

²⁵Skidelsky, *John Maynard Keynes: The Economist as Saviour, 1920–1937* (New York: Penguin, 1994).

²⁶Skidelsky, “Doing Good and Being Good,” *Times Literary Supplement*, March 26, 1999, pp. 13–15.

²⁷Skidelsky, *John Maynard Keynes: Fighting for Freedom, 1937–1946* (New York: Viking, 2001).

THE CLASSICAL LIBERAL THEORY OF CLASS CONFLICT

Let's go on from there to a major subject I want to cover now, and that is the classical liberal theory of class conflict. The greatest interpreters of this theory were French, so I want to say something about French liberalism to begin with. I mentioned to you that Murray Rothbard in his *History of Economic Thought* tends to place French economic thought ahead of British economic thought—French and Continental in general. As I mentioned to you, Murray was especially annoyed by Adam Smith and his reputation. Murray said Adam Smith's "reputation almost blinds the sun."²⁸ And then this view that Adam Smith was somehow the father of economics, continuing with Malthus, Ricardo, Mill, Marshall, and, of course, culminating in Keynes. Rothbard much prefers the Continental tradition of Turgot, including Frédéric Bastiat, whom Rothbard considered a very fine economist. There is a very interesting article in the *Quarterly Journal of Austrian Economics* by Professor Jörg Guido Hülsmann on Bastiat as a precursor of Austrian economics.²⁹

Hayek has not helped the cause along, because Hayek wrote a famous essay called "Individualism: True and False."³⁰ And here, rather bafflingly, I think, Hayek attempts to distinguish two traditions of individualism. That was a term that he was using at the time for liberalism or classical liberalism. The first is basically a British and empirical line of thought and, according to Hayek, represents genuine liberalism. He believes the second type, in the French and Continental tradition, is not liberal really at all. Rather, it is a rationalistic deviation that leads "inevitably," as he says, to collectivism. This follows, Hayek claims, from the contrasting social theories underlying the two doctrines. Where the British tradition appreciates the truth regarding social institutions—that they originate and develop spontaneously—the French and Continental tradition holds them to be products of deliberate human contrivance or design.

²⁸Rothbard, *An Austrian Perspective on the History of Economic Thought*, vol. 1, *Economic Thought before Adam Smith* (Cheltenham, UK: Edward Elgar, 2006), p. 435.

²⁹Hülsmann, "Bastiat's Legacy in Economics," *Quarterly Journal of Austrian Economics* 4, no. 4 (Winter 2001): 55–70.

³⁰F.A. Hayek, "Individualism: True and False," in *Individualism and Economic Order* (Chicago: University of Chicago Press, 1948), pp. 1–32.

Hayek was the head of my dissertation committee in Chicago many years ago. I've always had very great respect for him, and he was a person who probably was as good a scholar that is learned in the history of thought as he was an economist. But here in this denigration of the Continental and French liberal tradition, I really cannot follow him. For one thing, there's a kind of funny game that he plays, because in the British tradition he lists not only David Hume, Smith, and Burke, but also Alexis de Tocqueville and Benjamin Constant, who were not exactly British subjects. And among the French, he mentions the physiocrats, the encyclopedists, Jean-Jacques Rousseau, and Henri de Saint-Simon. It's a peculiar thing, it seems to me, if you're talking about liberal tradition, to bring in the French encyclopedists, who are a bundle of baggage of their own. Some people do consider them liberals, but Denis Diderot and Baron d'Holbach, and so on, were hardly liberal, in my view. *Certainly* not Rousseau. *Certainly* not Henri de Saint-Simon, one of the utopian socialists. So, this is how the French get burdened with the idea of being in some tradition that leads inevitably to totalitarianism.

Hayek goes so far as to speak of the absence of a truly liberal tradition in France. What can you say? It's obvious that there was an immense liberal tradition in the nineteenth century. He traces all of these French problems back to Descartes, who Hayek thinks somehow hatched the idea of social engineering and scientism, as Hayek discusses it. But if you want to select somebody, it wouldn't be Descartes, who wrote practically nothing about social theory. I think a much more likely candidate would be the English philosopher Francis Bacon, who thought that in the future, society ought to be recreated on the model of science. Well, more could be said about this, but I just want to point out that there are very serious problems with Hayek if you ever come across his essay on true and false individualism. For one thing, this distinction—individualism or liberalism based upon the idea of spontaneous order created by voluntary interaction, on the one hand, versus the idea of order being created by social engineering—leaves out a very central liberal tradition, which is a tradition of natural rights. Natural rights were not the sort of thing that David Hume and Burke and Adam Smith were really centrally concerned with. Certainly, these French people like Rousseau and Saint-Simon were not concerned with it. But there was this whole tradition of natural rights among the French liberals, and the French kept going with it long after the English had given them up.

Turning now to the doctrine of class conflict—which, as I say, is best developed by the French—the idea that the classes are in conflict is almost inevitably and invariably associated with Marxism. I don’t know if you know the name Hirschman—Albert O. Hirschman—an economist. You might have come across him. He’s an economist, and he has a reputation of being an economist who’s thoroughly familiar with the history of thought, with intellectual currents of the modern period. In one of his books, Hirschman comes across a statement by the famous Italian economist, Vilfredo Pareto, where Pareto talks about class conflict. Hirschman is obviously at a loss when confronted by this because, as he says, it “sounds at first curiously—perhaps consciously—like *The Communist Manifesto*.”³¹ But, as Hirschman says, Pareto distanced himself from Marxism by talking about spoliation.³² Now, what is obvious from this—what is clear as day from this—is that this celebrated expert in intellectual history has not got the first notion of a classical liberal class conflict theory. The term “spoliation”—*spoliazione* in Italian—was a term used by innumerable classical liberal writers—including Bastiat, for instance—to refer to the exploitation of one part of society by another part of society using the state.³³ This was commonplace in this whole intellectual tradition, and maybe you can understand sometimes why people of our point of view get a little annoyed at their intellectual adversaries for simply not doing their homework, for not acknowledging our own tradition and not acquainting themselves with our own thinkers.

Hirschman is famous for knowing everything about intellectual history, and Pareto is a very big name in the history of economic thought. This is what Hirschman was talking about, from the beginning of *The*

³¹Hirschman, *The Rhetoric of Reaction: Perversity, Futility, Jeopardy* (Cambridge, MA: Harvard University Press, 1991), p. 55.

³²Pareto uses the term at least a dozen times in *Cours d’économie politique* (1896), most commonly read in French. A representative sample includes his discussion on monetary inflation, in which he writes, “Tous les prix ne changent pas de suite. La dépréciation de la monnaie se résout surtout en une spoliation des classes laborieuses.” (“All prices do not change immediately. The depreciation of the currency mainly results in the spoliation of the working classes.”) See Pareto, *Cours d’économie politique* (Lausanne, 1896), 1:204.

³³An often-quoted phrase by Bastiat is, “la spoliation légale,” from *The Law*, which is often translated as “legal plunder.” See Bastiat, *The Law* (Auburn, AL: Ludwig von Mises Institute, 2007), <https://mises.org/library/book/law>.

Communist Manifesto, 1848: “The history of all hitherto existing society is a history of class struggles. Freeman and slave, patrician and plebeian, lord and serf, yield master and journeyman, in a word, oppressor and oppressed stood in constant opposition to one another.”³⁴

That was 1848. In 1837, one of the French liberal school, a man named Adolphe Blanqui, who was a protégé of Jean-Baptiste Say, wrote what is probably the first history of economic thought. Blanqui wrote, “In all the revolutions, there have always been but two parties opposing each other, that of the people who wish to live by their own labor and that of those who would live by the labor of others. Patricians and plebians, slaves and freemen, Guelphs and Ghibellines, red roses and white roses, cavaliers and round heads, liberals and serviles are only varieties of the same species.”³⁵

There’s no doubt that Marx read everything on economics and read Blanqui’s history of economic thought. Blanqui quickly makes clear what he understands to be at issue in these social struggles that permeate history: “So, in one country, the fruit of labor is taken from the workman by taxes, under pretense of the welfare of the state; in another, by privileges, declaring labor a royal concession, and making one pay dearly for the right to devote himself to it.”³⁶

This is done through the guilds, for instance, or government monopolies. Blanqui continues: “The same abuse is reproduced under forms more indirect, but not less oppressive, when, by means of custom-duties, the state shares with the privileged industries the benefits of the taxes imposed on non-privileged classes.”³⁷

So, here we have, in a nutshell, the liberal theory of class conflict, predating the Marxist theory, stated in terms probably nearly copied by Marx at the beginning of *The Communist Manifesto*. Few mention this and with very few exceptions—such as myself, Joe Stromberg, Hans Hoppe, and now you—are acquainted with it. So, if you thought that whatever you had to pay to come to this gathering was questionable, now you know it wasn’t, because you have this secret knowledge, and

³⁴Karl Marx, “The Communist Manifesto,” in *Capital and Other Writings*, ed. Max Eastman (New York: Modern Library, 1932), p. 321.

³⁵Blanqui, *Histoire de l’économie politique en Europe depuis les anciens jusqu’à nos jours* (Paris, 1845), 1:vi. Originally published in 1837.

³⁶*Ibid.*, 1:vi–vii.

³⁷*Ibid.*, 1:vii.

in fact it's *going to remain secret*. It doesn't matter that we publish these things in publications of the Mises Institute. Hirschman is not going to learn anything from it. Skidelsky didn't change his mind about mentioning Keynes's rave review for *Soviet Communism: A New Civilisation*. Well, we do what we can. By the time that Blanqui wrote in 1837, this idea of classical liberal class conflict theory was commonplace in classical liberal thought.

THE STATE'S CAPTURE OF THE MIDDLE-CLASS BOURGEOISIE

I want to quote from something that should be known by intellectual historians, and that is from Alexis de Tocqueville's *Recollections*. Tocqueville writes about the middle class, which historians tell us came to power in France in 1830 under the bourgeois monarchy of Louis Philippe. This is supposed to be the period of liberalism in the first part of the nineteenth century in France. Tocqueville says, "[The middle class] entrenched itself in every vacant government job, prodigiously augmented the number of such jobs, and accustomed itself to live almost as much upon the Treasury as upon its own industry."³⁸

So, he's talking about a bourgeoisie or middle class very different from what we understand and what we understood in America in those days—or Britain in those days. This is a middle class that has many similarities to the middle classes in other European countries. They send their sons to university to be university educated in order to get government jobs and never have to work again. Tocqueville says this is a great victory of the so-called liberal bourgeoisie in France. Under Louis Philippe, they expanded government bureaucracy and created jobs for their own kind. If you look up "The Declaration of the Rights of Man and of the Citizen" of the French Revolution and the Constitution of 1791, it doesn't bear comparison with the American Bill of Rights. There are so many loopholes for government action against individual liberty. But I think that the section that the revolutionaries felt most strongly about, that really was heartfelt, was this: the part where they say all government offices shall be open to all citizens regardless of what class they come from, whether nobility or

³⁸Tocqueville, *Recollections*, trans. Alexander Teixeira de Mattos (New York: Meridian, 1959), pp. 2–3.

commoner, and they should have equal access to all the awards and positions and functions that the government has to offer.³⁹

There were some French liberals of our sort—authentic liberals—in the later part of the century. I'll mention, in fact, some of these French class conflict theorists, who described what they viewed as the essence of the French Revolution: it was the commoners'—the third estate's—revolt against the aristocracy because the aristocracy and the French monarchy had limited access to government positions and civilian and military bureaucracies in the church, and so on. The third estate was kept out of those and had to crush the power of the privileged orders in order to get those jobs. That's a possible and fruitful interpretation of the revolution, I believe.⁴⁰

Now, I want to direct your attention to some authors of the very early part of the century, right after the overthrow of Napoleon under the Bourbon Restoration. A group of then-young liberals founded a journal, which happened to be called *Le censeur européen* and began publishing their views. Their views were a synthesis of some somewhat earlier French thinkers, like Constant, Destutt de Tracy, and Jean-Baptiste Say. In this journal, which just lasted for a few years, they outlined a philosophy of history that includes, embedded in it, a theory of class conflict. They gave the best, clearest interpretation of this classical liberal view that I'm aware of.

Jean-Baptiste Say was a very important influence. Let me mention who these men were at *Le censeur*. There was Charles Dunoyer and Charles Comte, who was no relation to Auguste Comte. (Auguste

Comte was one of the founders of sociology and a *deeply* evil man.) The group also included Augustin Thierry. Thierry became the most famous; he was a well-known historian in the nineteenth century. Say was the father-in-law of Charles Comte. Also, everybody met each other socially in the salons of the time, so there was a close interconnection.

³⁹See article 6 of the Declaration: "All citizens, being equal in its eyes, shall be equally eligible to all high offices, public positions and employments, according to their ability, and without other distinction than that of their virtues and talents."

⁴⁰See Ralph Raico, *Classical Liberalism and the Austrian School* (Auburn, AL: Ludwig von Mises Institute, 2012), pp. 196–98, <https://mises.org/library/book/classical-liberalism-and-austrian-school>.

Now, according to Say, the different ways of producing all consist of taking a product in one state and putting it into another in which it has more utility and value. (Meanwhile, Malthus and Ricardo are talking about the labor theory of value.) According to Say, all members of society who contribute to the creation of values are deemed productive, but Say awards a pride of place to the entrepreneur, which is one of his major contributions. Murray Rothbard talks about that in his *History of Economic Thought*. This is in contrast to Smith, for instance, who had no place there for the entrepreneur. Smith talks about the “capitalist” instead. Say understands the contribution of the entrepreneur to dynamic free enterprise and to the free market economy that he believes is coming into existence. In other words, we have the opposite of the pessimism of the English school.

However, there are flies in the ointment. Say says and talks about the value of personal interest in fueling the economy, “but personal interest is no longer a safe criterion, if individual interests are not left to counteract and control each other. If one individual, or one class, can call in the aid of authority, to ward off the effects of competition, it acquires a privilege and at the cost of the whole community.”⁴¹

This is the origin of class conflict: the state entering into market relations. Say continues:

[An individual or class] can then make sure of profits not altogether due to the productive services rendered, but composed in part of an actual tax upon consumers for its own private profit. . . . The legislative body has great difficulty in resisting the importunate demands of this kind of privileges; the applicants are the producers that are to benefit thereby, who can represent, with much plausibility, that their own gains are a gain to the industrious classes, and to the nation at large, their workmen and themselves being members of the industrious classes and of the nation.⁴²

This is an important point about the private producers “who can represent, with much plausibility, that their own gains are a gain to the industrious classes, and to the nation at large.” In other words, ordinarily, if we’re talking about manufacturers or merchants, businesspeople

⁴¹Say, *A Treatise on Political Economy, or the Production, Distribution, and Consumption of Wealth*, trans. C.R. Prinsep (New York: Routledge, 2001), p. 147. This translation was originally published in 1880.

⁴²Ibid.

in general, well, they're the good guys. They help society along. The product is utility for society. And that leads us to sort of misdirect our attention from the fact that they're the ones who are now coming asking for government privileges. In other words, Say was saying that if it were the members of the Catholic Church, or if it were noblemen, or if it was state functionaries who came and asked for special privileges, right away we could see that they're suspect and they are people who are trying to live now at the expense of others.

It's more difficult to see in the case of businessmen, which helps us to understand how it was possible for a noted author to write a book about American businesses as "the most persecuted minority." Rothbard responded to this claim, talking about the history of American business and the unfortunate connection between big business and government.⁴³

THE ITALIAN INDUSTRIALIST SCHOOL

Now, these authors that I'm talking about invented a philosophy they called industrialism. In any given society, according to them, a sharp distinction may be drawn between those who live by plunder—and they don't hesitate to use the word—and those who live by production.

The first are characterized in several ways—the plunderers: they are the idle, the devouring, the hornets. The second are, among other things, the industrious, the bees. Those who attempt to live without producing are the savages. The producers are the civilized men, no matter what the appearance might be. Cultural evolution has been such that whole societies may be designated as primarily plundering and idle or as productive and industrious. They follow or they prefigure Adolphe Blanqui in this: the history of hitherto existing society is a history of the struggles between the plundering and the producing classes. They

⁴³Rothbard was responding to a comment by Ayn Rand: "Ayn Rand once wrote that big business is 'America's most persecuted minority.' Nothing could be further from the truth. From the turn of the twentieth century, through the New Deal period, and up to the present day, big business has been in the forefront of the shift from a free economy and a free society toward statism." See Rothbard, "Should There be a Tax Hike? Part I," in *Never a Dull Moment: A Libertarian Look at the Sixties*, ed. Justin Raimondo (Auburn, AL: Mises Institute, 2016), p. 49, <https://mises.org/library/book/never-dull-moment>.

have the view of Benjamin Constant that the ancients, the Greeks, and the Romans, for all their achievements, were basically societies that were founded on war and on constant war making, which included, of course, imperialism and plunder of other societies.⁴⁴

These scholars were also concerned with the German invasions, the invasions of the Franks, and then in England, the Invasion of the Normans and the creation of feudalism. Now, I would say that they had a somewhat one-sided view of feudalism, but nonetheless, this followed their typology. For them, feudalism represented “a kind of subordination that subjected the laboring men to the idle and devouring men, and which gave to the latter the means of existing without producing anything or living nobly.”⁴⁵

They’re talking mainly about the robber barons particularly, the rapacious nobility that eventually succeed the equally rapacious kings. I’m summarizing hundreds and hundreds of pages that are written along these lines, and I’m quoting kind of promiscuously from Constant and Comte. Comte speaks of the plunderers whose “thefts with violence, alterations of the coinage, bankruptcies, confiscations, hindrances to industry” are the common stuff of the history of France.⁴⁶ He continues: “When the lords were the stronger, they viewed as belonging to them, everything they could lay hold of. As soon as the kings were on top and defeated the nobility, they thought and acted in the same way.”⁴⁷

With the growth of the wealth of the commoners and of the towns, additional riches became available for expropriation by the parasitic

⁴⁴See Constant, *De l’esprit de conquête et de l’usurpation, dans leurs rapports avec la civilisation européenne* (Paris, 1814), pp. 8–9. For example, Constant writes, “War therefore predates trade. One is wild impulse, the other is civilized calculation. . . . The Roman Republic, without trade, without letters, without articles, having no internal occupation other than agriculture . . . and always threatened or threatening, engag[ed] in the business of uninterrupted military operations.”

⁴⁵Charles Comte, “De l’organisation sociale considérée dans ses rapports avec les moyens de subsistance des peuples,” *Le censeur européen* 2 (March 1817): 22.

⁴⁶Charles Comte, “Considérations sur l’état moral de la nation française et sur les causes de l’instabilité de ses institutions,” *Le censeur européen* 1 (January 1817): 20–21.

⁴⁷*Ibid.*, p. 21.

classes. These writers are particularly severe on the royal manipulation of money and legal tender laws. In modern times, the main types of the idle classes have been the professional soldiers, the clerics of the state-established religion, the nobles, and the bourgeois who were ennobled—that is, those who left the status of bourgeois in order to become nobles and government officials.

These authors had a lot to say about war and peace. In fact, the journal's motto—on every issue printed in the top was the phrase *paix et liberté*, peace and freedom.

One of the main categories of plunderers and exploiters of the present day, according to the *Censeur européen* group, were state functionaries. In fact, I could even cite an article for you on them as precursors of the school of public choice.⁴⁸ For them, and for Europeans during the early nineteenth century—this is before the war of the Southern secession and everything that followed that—America was a promised land. They cite the virtual nonexistence of any kind of federal bureaucracy in the United States compared to France. With the number of bureaucrats they had in France, Americans could have staffed thirty United States federal governments. Yet, at the time, the United States was rapidly approaching the population of France.

MARX AND LIBERAL CLASS THEORY

Let's go back to Professor Hirschman and his kind, who said class conflict sounded like Marxism. Well, Marxism sometimes sounds like liberal class conflict theory. There are in fact two theories of social conflict in Marxism. One is the one everybody knows about, in the present day, of the bourgeoisie expropriating surplus value from the proletariat and therefore being its natural enemy. There's another Marxist conflict theory. This is from Marx's description of France in the third quarter of the nineteenth century. It's a longish quote, but I'll try to shorten it:

The executive power with its enormous bureaucracy and military organization, with its . . . ingenious state machinery . . . with a host of officials numbering a half a million besides an army of another half a million, this terrifying

⁴⁸Patricia J. Euzent and Thomas L. Martin, "Classical Roots of the Emerging Theory of Rent Seeking: The Contribution of Jean-Baptiste Say," *History of Political Economy* 16, no. 2 (Summer 1984): 255–62, <https://doi.org/10.1215/00182702-16-2-255>.

parasitic body which enmeshes the body of French society like a net and chokes all of its pores sprang up in the time of the absolute monarchy. . . . The [Legitimist] Monarchy and the July Monarchy added nothing to it but a greater division of labor, increasing at the same rate as the division of labor inside the bourgeois society created new groups of interests, and therefore new material for the state administration.⁴⁹

This is Karl Marx: “Every common interest [that is, every common interest of society apart from the state] was immediately severed from the society, countered by a higher, general interest, snatched from the activities of society’s members themselves and made an object of government activity.”⁵⁰

Now, I submit to you that that sounds very much like classical liberalism in its opposition to the state and state action with the rest of society. Marx is not talking about capitalists and workers here. He’s talking about the rest of society, which was willing to see to these various tasks and do what had to be done, while the state bureaucracy snatches it away from them. Marx continues: “All revolutions perfected this machine instead of smashing it. The parties that contended in turn for domination regarded the possession of this huge state edifice as the principal spoils of the victor.”⁵¹

Marx is often very shrewd, especially when he dealt with concrete historical episodes and not his general economic theory. This, you could say, was the secret history of revolution in the nineteenth century and afterwards: the attempt of one group to seize state power and everything that went with it—all the jobs, especially—from another group.

⁴⁹Marx, *The Eighteenth Brumaire of Louis Bonaparte*, chap. 7, trans. Saul K. Padover (Marx/Engels Internet Archive, 1999), <https://www.marxists.org/archive/marx/works/1852/18th-brumaire/ch07.htm>.

⁵⁰Ibid.

⁵¹Ibid.

Lecture 4

Class and Conflict

The French contribution to class conflict theory remained pretty much the same after the industrialist school. There wasn't much amplification or enrichment in a theoretical way, I would say. Nonetheless, the French school typically adhered to the analysis that I gave you in the last hour and added certain other historical examples.

Gustave de Molinari became, after a while, the grand old man of French liberal economics. He lasted for a long, long time and became the editor of the *Journal des économistes* for some decades at the end of the nineteenth century and into the twentieth century. Molinari provides, in a way, an additional historical example with how he connected class conflict theory with the American Civil War. His interpretation is basically the interpretation you can read in Charles Adams, in his book on the Civil War.¹ It is also found to a degree in Tom DiLorenzo's book—namely, that the main issue was the tariff.² The tariff had been the issue on which secession had practically already occurred in the 1830s, in connection with South Carolina. It was not the issue of slavery, and this was, according to Molinari, foremost in the minds both of the Southern leaders and of the Northern Republicans.

The American Civil War, then, fit into this category of class conflict, the predatory class being the Northern Republicans, who wanted

¹Adams, *When in the Course of Human Events: Arguing the Case for Southern Secession* (Lanham, MD: Rowman and Littlefield, 2000).

²Thomas J. DiLorenzo, *The Real Lincoln: A New Look at Abraham Lincoln, His Agenda, and an Unnecessary War* (New York: Three Rivers, 2003).

protectionism, and the preyed-upon class being the Southern planters. But in general, Molinari used this analysis all over the place. Through this lens, he analyzed the success of the French regimes—not only of Louis Philippe but the revolution of 1848, Napoleon III, and the Third Republic.

Now, let's turn our attention to Italy, for a moment. If you know something about James Buchanan's public choice theory, he gives great credit to the Italian economists for steering him in this direction, giving him the tools of basic analysis. One Italian economist he doesn't mention is the man who more or less founded Italian free market economics in the nineteenth century, Francesco Ferrara. Ferrara's book was taught for many decades at the University of Turin.³ Murray Rothbard has in his *History of Economic Thought* a few pages on Ferrara,⁴ but Ferrara's main interest for us is that he acted as the editor of an enormous series of works by foreign economists. He translated these into Italian with huge introductions—about their lives, their contributions, and so on—so he was, in a way, a very helpful, great historian of economic thought.⁵ And Ferrara gives full credit for his point of view—which again is a liberal class conflict point of view in the way I outlined last time—to Bastiat. So, what we have then is the French school by Bastiat influencing the Italian Ferrara. From Molinari, we have the influence of Vilfredo Pareto. Now, Pareto will be a name to people who have studied economics here. "Pareto optimality" is still a concept that's used. Now, in economics, he was

³Ferrara, *Esame storico-critico de economisti*, 2 vols. (Turin, 1891).

⁴Rothbard, *An Austrian Perspective on the History of Economic Thought*, vol. 2, *Classical Economics* (Cheltenham, UK, Edward Elgar, 2006), pp. 448–55.

⁵See Otto Weinberger, "The Importance of Francesco Ferrara in the History of Economic Thought," *Journal of Political Economy* 48, no. 1 (Feb. 1940): 91–104, <https://www.jstor.org/stable/1825911>. Weinberger writes on page 95, "Ferrara established his scientific reputation chiefly by the prefaces which he wrote for the first and second series of the *Biblioteca dell'economista*. These prefaces are distinguished not only for their valuable biographical and bibliographical material but also for their interesting observations on the development of the science of economics in France and England and for the original thoughts of the editor himself, relating to the most varied range of theoretical issues. These prefaces were reprinted in two volumes at Turin in the years 1889 and 1891, under the title *Esame storico critico di economisti e dottrine economiche del secolo X VIII e prima meta' del XIX*. ('Critical historical examination of economists and economic doctrines of the eighteenth century and the first half of the nineteenth century.')

more of the Lausanne school of Walras and not an Austrian school economist. But in his social theory, he was very much a libertarian.

Again, Rothbard has some pages on Pareto in his *History of Economic Thought*.⁶ Pareto openly referred to Molinari as his “maître” and master, and you can see the traces of Molinari’s economic theory in general, especially this class conflict analysis in Pareto. Pareto is simply the most well-known of a whole school of Italian economists. They were the best Italian economists of the time—the late nineteenth century and early twentieth century. Schumpeter says that by this time, Italian economists were the equal of any in the world.⁷ Very prominent is a man named Antonio de Viti de Marco, whom Jim Buchanan quotes, and Maffeo Pantaleoni, whom I don’t think he does quote.⁸ However, reading Jim Buchanan on these people and then reading the authors themselves, I don’t think he does justice to the radicalness of their position.⁹ Again and again, they excoriate the Italian state for being nothing but a collection of predators, of crooks, of gangsters, of people who in one way or another were stealing money from the productive citizens, working people, small business people, of the peasants of the south, and so on. The predators channeled money and privileges to favored clientele, which included not only businessmen who got protection through tariffs—contractors of all kinds—but also unionized workers. In general, it was the North, with the industrialists and their protective tariffs, paying off the unionized workers as well to gain their support. They were preying on the productive citizens of the rest of the country, and especially in the agricultural sector, which was still the main industry in Italy.

⁶Rothbard, *History of Economic Thought*, 2:455–59.

⁷Schumpeter, *History of Economic Analysis* (Abingdon, UK: Routledge, 2006), pp. 485–89.

⁸James M. Buchanan, *Public Finance in Democratic Process: Fiscal Institutions and Individual Choice* (Chapel Hill, NC: University of North Carolina Press, 1987), pp. 129, 258.

⁹In his *Public Principles of Public Debt*, published in 1958, Buchanan acknowledged that “the Italian approach to the whole problem of public debt was instrumental in shaping my views.” Quoted in Richard E. Wagner, *James M. Buchanan: A Theorist of Political Economy and Social Philosophy* (Cham, Swt.: Palgrave Macmillan, 2018), p. 1063. Buchanan was the first anglophone economist to focus on this and included the Italians’ work in his chapter, “The Italian Tradition in Fiscal Theory,” in his 1960 textbook *Fiscal Theory and Political Economy*.

These people are well worth looking into.

The analysis continued afterwards with a man who is famous really, I have to tell you, although maybe you're not familiar with his name: Luigi Einaudi. He was a free market economist who was the first president of the Italian Republic after World War II and probably the most famous free market liberal thinker in Europe at that time.¹⁰

THE JEFFERSONIANS

Now, this class conflict analysis had other traditions besides that of the French and—through the French—of the Italians. In the United States, for instance, some Jeffersonians and Jacksonians also grappled in detail with the question of class, in the politically relevant sense, and came to conclusions very much reminiscent of the industrialist school. John Taylor of Caroline, William Leggett, and John C. Calhoun were key observers and critics of the social groups whom they believed were utilizing political power in order to exploit the rest of society, the producers. John Taylor was outraged by what he saw as the betrayal of the principles of the American Revolution by a new aristocracy based on “separate legal interests.”¹¹ Taylor was homing in on the idea that these conflicting classes were created by government privilege—the bankers’ privilege to issue paper money as legal tender, the beneficiaries of public improvements, protective tariffs, the “American system,” and the policy of the Whigs in the early nineteenth century. American society, according to John Taylor, had been divided into the privileged and the unprivileged by this substantial revival of the feudal system. (He’s talking now about feudalism in the way that the industrialist writers have.)

¹⁰See Ralph Raico, “Mises on Fascism, Democracy, and Other Questions,” *Journal of Libertarian Studies* 12, no. 1 (Spring 1996): 16, <https://mises.org/journal-libertarian-studies/mises-fascism-democracy-and-other-questions>. Raico says of Einaudi: “Of all the Italian free-trade economists, Luigi Einaudi was to become the most prominent and achieve the greatest political influence. After the Second World War, Einaudi became the first president of the Italian Republic and probably the best-known economic liberal in Europe. He shared the views of the liberisti school both on the basic malignancy of the Italian political and economic system and the dangers of socialism for his country.”

¹¹Taylor, *An Inquiry into the Principles and Policy of the Government of the United States* (Fredericksburg, VA, 1814), p. 254.

Two decades later, in the 1830s, the Northern radical William Leggett, a Northern Democrat, denounced the same exploiting classes. Leggett was a chief spokesman for Jacksonian principles in the North. He denounced, in the Jeffersonian manner, the bankers and the beneficiaries of government grants for internal improvement. His own position was, as he thought of it, the same as that of the original American republic: laissez-faire, do not govern too much. The American aristocracy, he thought, naturally favored a strong government, including especially control of the banking system. The banking issue was the main issue of that time. Leggett, in contrast, demanded the absolute separation of government from the banking and credit system.

Leggett was an editorial writer, and his pulpit was the *New York Evening Post*, the oldest paper in America, founded by Alexander Hamilton. In those days it was edited by the great American writer and poet William Cullen Bryant. Leggett was their chief editorial writer. He summed up the principles that he was going to be writing according to—they were the principles of Thomas Jefferson, he said: “The sum of a good government, as described by that illustrious champion of democracy”—these are Jacksonians, so he thinks he’s talking in favor of democracy—“is all we aim at.”¹² In Jefferson’s words, “A wise and frugal government, which shall restrain men from injuring one another; shall leave them otherwise free to regulate their own pursuits of industry and improvement; and shall not take from the mouth of labor, the bread it has earned.”¹³

This book is really a gold mine.¹⁴ He wrote very well, and there are all kinds of great editorials here by Leggett. He has an editorial denouncing the governor of New York for proclaiming thanksgiving. He asks where, in heaven’s name, does this politician come off telling us when we should give thanksgiving to the Lord and appointing a special day for it? Why doesn’t government leave it up to us to decide when we want to do something like that?¹⁵ He has an essay here called

¹²Leggett, *A Collection of the Political Writings of William Leggett*, ed. Theodore Sedgwick (New York, 1840), p. 199.

¹³See Jefferson’s first inaugural address, March 4, 1801. Quoted in Leggett, *A Collection of the Political Writings*, p. 199.

¹⁴Raico is here referring to a specific collection of Leggett editorials: Leggett, *Democratick Editorials: Essays in Jacksonian Political Economy*, ed. Lawrence H. White (Indianapolis, IN: Liberty Fund, 1984).

¹⁵Leggett, *A Collection of the Political Writings*, 2:113.

“The Street of Palaces,” and he talks about Genoa, that has a very elegant street commonly called the street of palaces, with the houses of the great and influential nobles of the past. Leggett says, “Is this condition of things confined to Genoa or to the European countries? Is there no parallel in our own country? Have we not in this very city [New York] our street of palaces adorned with structures as superb as those of Genoa, have we not too our privileged orders, our scrip nobility?”¹⁶ Do you understand scrip—that is, a paper put out by a different authority without any backing in precious metals to act as money? By “scrip nobility,” he means the banks that were given the right in New York State to issue paper money without the backing of precious metals. “Aristocrats clothed with special immunities, controlled indirectly, but certainly the political power of the state, who monopolize the most copious sources of pecuniary profit and wring the very crust from the hard hand of toil. Have we not ensured like the wretched serfs of Europe, our lordly masters? If any man doubts that these questions should be answered, let him walk through Wall Street, a street of palaces.”¹⁷

You can see in what sense he was a radical, in what sense he was a democrat, but his ire was directed against those influential, wealthy—*often* wealthy—people who used the state in order to gain their assets. This is very typical of the whole liberal tradition going back to the Levellers. They were obviously not classical liberals who were believers in socialism or egalitarianism or the leveling of fortunes. On the other hand, they were very suspicious of people with large fortunes because those people are the sort who tended to have connections with the government. They tended to act hand in glove with the government, getting favors from the government and afterwards. I’ll mention in a little while one of the last and greatest of the American classical liberals, William Graham Sumner, who talked about the “plutocrats.”¹⁸ Maybe you’ve heard that term, *plutocrat*. It’s commonly used to mean any wealthy person. It comes from the god Pluto, who, as the god of the underworld, was supposed to be the god of treasures and buried wealth, and so on.

¹⁶Ibid., p. 123.

¹⁷Ibid.

¹⁸See Sumner, “Democracy and Plutocracy,” “Definitions of Democracy and Plutocracy,” and “The Conflict of Plutocracy and Democracy,” in *Earth-Hunger and Other Essays*, ed. Albert Galloway Keller (New Haven, CT: Yale University Press, 1913), pp. 283–300.

So, nowadays, *plutocracy* means *ruled by wealthy people*, but he used *plutocrat* in very sharp distinction to *capitalist*, for instance. A plutocrat was, in fact, some wealthy person who used the state in order to defend his position on the market. A plutocrat didn't dare to risk himself on the open market but used the state instead. Leggett is a very good example of this antiplutocrat tradition in America.

MARX AND SOVIET CLASS CONFLICT

Finally, what I want to say, in contrasting the Marxist and classical liberal ideas of class conflict, it seems obvious to me that the classical liberal idea of class conflict is enormously superior. In fact, it is no contest, between the liberal theory and the Marxist theory, in explaining Marxist regimes. Marxists and communists in general had a very hard time trying to explain what kind of society and regime existed, for instance, in the Soviet Union. It wasn't a capitalist regime anymore. It wasn't an exploitative regime of the bourgeoisie, because they had gotten rid of the bourgeoisie. The communists had chased the bourgeoisie out or executed them. And all of your property was taken over by the state in the name of the people. What sort of regime is that? What class is involved there? If class conflict exists, according to the Marxist views, because of differential access to the means of production, well, there are no capitalists on one side to claim the means of production anymore. There's no struggle over the means of production anymore. What you have are the means of production allegedly owned by society at large. And this was the position of the Soviet regime: "We're a classless society. We don't have class exploitation anymore."

In fact, the problem was obvious to everyone from the word go: every alleged Marxist regime in the world was an exploitative regime with a ruling class that came to be known as the nomenklatura. So, how to explain that? Well, you have the liberal idea of class conflict that there is a certain group of people who gain control of the state apparatus and exploit the rest of society. This was the "new class," as it was sometimes called.¹⁹ Have you read *Animal Farm*, maybe? This was the pigs. This was the nomenklatura, the people in charge, the people whose names were in a certain book of influential people. The liberal

¹⁹This term owes much of its popularity in the English-speaking world to the writings of Yugoslavian writer Milovan Djilas, in Djilas, *The New Class: An Analysis of the Communist System* (New York: Praeger, 1957).

idea can explain *also* Marxist regimes in a way that the Marxist idea of class conflict cannot. And in general, it is much more useful than any alternative, and maybe it's time that some of our scholars discovered that there was such a thing as the liberal idea of class conflict.

WAR AND PEACE

One area of class conflict that was especially pointed out by the classical liberals was the area of war and peace and international relations. I mentioned to you last time that the motto on the front page of the *Censeur européen* in every issue was *peace and freedom*. A propeace position was central to the industrialist point of view—just to take this one liberal group—and their attack on militarism and standing armies was savage and relentless. This is a typical passage repeated many times, for instance, by Dunoyer. He's being sarcastic—really, savagely sarcastic—here. Remember, he talked about how production and exchange is at the center of social life so that we have to honor and respect the people who engage in production. He raises the question, “What is the production of the standing armies of Europe? It is consisted in massacres, rapes, pillages, conflagrations, vices and crimes, the deprivation, ruin and enslavement of the peoples. The standing armies have been the shame and the scourge of civilization.”²⁰ The industrialists, including also Jean-Baptiste Say, attacked British imperialism, the arrogance of British imperialism, which, Say said, has turned production and commerce itself into an attack on civilization.²¹ They were for various reasons not particularly anglophile.

Now, you've heard many times the phrase that “war is the health of the state,” and this comes from the left anarchist Randolph Bourne in the course of the First World War. Murray Rothbard was the one who

²⁰Charles Dunoyer, “Du système de l'équilibre des puissances européennes,” *Le censeur européen* 1 (January 1817): 121. The original French reads, “Ce qu'ont produit ces armées, ce sont des massacres, des viols, des pillages, des incendies; ce sont des vices et des crimes; ce sont la dépravation, la ruine et l'asservissement des peuples: elles ont été l'opprobre et le fléau de la civilisation.”

²¹Raico may here be actually quoting Dunoyer, who wrote in 1817, “The result of this pretension [i.e., British imperialism] was that the spirit of industry became a principle more hostile, more of an enemy to civilization, than the spirit of rapine itself.” See Dunoyer, “Du système de l'équilibre,” p. 133.

introduced this phrase and concept into libertarian thinking.²² Murray always stressed the idea that war is the health of the state because that is what history has demonstrated. I'm sure that next week, those of you who have the privilege of listening to Robert Higgs will find him amplifying on that to a great extent.²³ It's one of his major fields. So, the idea of war being a special problem to society, the preservation of peace became a major aim of liberalism.

In Mises's book on liberalism, he has in the beginning the different sections listed: property, freedom and—among the early ones—peace as one of the aims of the liberals. As Mises says, “Not war, but peace is the father of all things,”²⁴ contrary to what the Greek philosopher Heraclitus maintained.²⁵ Mises says, “Peace is always better than war.”²⁶ Extolling peace has characterized the classical liberal movement from the eighteenth century, at least from Turgot, on through the nineteenth century to even Gladstone, who wasn't, frankly, that much of a liberal. His slogan in mid-Victorian Britain was, “Peace, retrenchment, and reform.”

Now, in anglophone countries, the greatest single factor leading to the identification of classical liberalism with a propeace position is the work of the Manchester school and its leaders, Richard Cobden and John Bright. Here we have another couple of my personal heroes, especially Cobden. Richard Cobden and John Bright—there is a great literature on these men. A number of their works are still in print, and

²²Rothbard used this quotation from Bourne at least as early as 1963, and it can be found in Rothbard's essay, “War, Peace, and the State,” reprinted in Rothbard, *Egalitarianism as a Revolt against Nature and Other Essays*, 2nd ed. (Auburn, AL: Mises Institute, 2000), 131n, <https://mises.org/library/book/egalitarianism-revolt-against-nature-and-other-essays>. For Bourne's original essay, see Bourne, “Unfinished Fragment on the State,” in *Untimely Papers* (New York: B.W. Huebsch, 1919).

²³See Higgs, *Crisis and Leviathan: Critical Episodes in the Growth of American Government* (New York: Oxford University Press, 1987) and *Delusions of Power: New Explorations of the State, War, and Economy* (Oakland, CA: Independent Institute, 2012).

²⁴Mises, *Liberalism* (Irvington-on-Hudson, NY: Foundation for Economic Education, 1985), p. 24.

²⁵Raico is referring to an often-quoted passage from Heraclitus in which the Greek philosopher writes, “War is father of all and king of all.”

²⁶Mises, *Liberalism*, p. 24.

certainly many of their works are in libraries. Best known for their advocacy of free trade, they were the leaders of the free trade movement that led to the repeal of the Corn Laws in 1847. These men held that unhampered freedom of commerce among nations is the surest road to an even higher goal than the material wellbeing of the people—world peace.

Classical liberals are often attacked for being mean-minded and venal materialists. It's very clear that, businessmen as they were, and interested in profits as they were—John Bright was proud of being a successful mill owner—the liberals of the Manchester school had a higher aim, which was to bring about harmony and peace among the nations.

The most fundamental reason for opposition to war—and its concomitants, imperialism and militarism—was stated succinctly by John Bright in one of his speeches during the Crimean War. That was a watershed war in the Crimea from 1854 to 1856.²⁷ This is what Bright said: "What is war? I believe that half the people that talk about war have not the slightest idea of what it is. In a short sentence it may be summed up to be a combination and concentration of all the horrors, atrocities, crimes and sufferings of which human nature on this globe is capable."²⁸

So, when you see some of the people nowadays, some of the writers nowadays, talking so glibly about war, you should keep that in mind. They don't. Yet, those of us who believe in laissez-faire and pure capitalism—we're supposed to be the heartless ones. Meanwhile, they don't really give a damn about—and I think even their remorse over the death of American mercenaries is pretty much halfhearted—the victims of American war waging. The Pentagon itself says, "We don't keep these figures." Take the Iraqi war with its thousands of civilians dead. Even the Associated Press counted 3,200-something, but 3,200 was only people who died in hospitals, not people who were buried under rubble or died on the road. This total was from only about half the hospitals in Iraq, the largest ones. So, it's very probably true that five to six, maybe ten thousand civilians died, and that does not

²⁷The war began in 1853, but the United Kingdom did not declare war on Russia until 1854.

²⁸Bright, *Selected Speeches of the Right Hon. John Bright, M.P. on Public Questions*, ed. Ernest Rhys (New York: E.P. Dutton, 1907), p. 228.

include the ones who were maimed, mutilated like that kid, Ali, with his arms gone.²⁹

Bright was a Quaker. He was not a pacifist, but he was a Quaker. He was also a human being, unlike the people who call themselves conservatives nowadays, who really could not care less and gloat about how we have the power to do that kind of thing. Someone who had this point of view—that it was fine to kill people in this way—I believe would have even come under suspicion in the SS as most likely a potentially dangerous sadist. They wanted people who were just disciplined and killed when they were given the order and didn't get any special kick out of it.³⁰

Let's go back to the Manchester school. They believed that the interest of the great majority in all countries was peace and that both specific wars and long-term patterns of belligerency on the part of governments could be explained by and large by reference to the interests of particular groups within the governing circles. These groups were more or less what Bright was fond of calling "the tax-eating"—rather than the "tax-paying"—classes. This was the old liberal view that you could find in Kant and Condorcet and Paine, the industrial school, and many others: that it was the classes associated with the old order who fomented war. The classes of the producers would tend to want to avoid war. In mid-nineteenth-century England, these tax-eating classes that favored war were, in their view, the aristocracy—with its ramified sinecures in the army—the navy, the foreign office in colonial bureaucracy, the established Church of England, and, to a lesser degree, certain capitalist groups wishing to spread foreign trade with the backing of English military and political power, as with the Opium Wars against China.

Besides pressing for free trade, which would tend to make war an increasingly self-defeating proposition, the Manchester liberals considered their duty to attack and expose the *particular* wars into which

²⁹This is likely a reference to Ali Ismail Abbas. Abbas was twelve years old when he lost both arms in a US missile attack during the Iraq War in 2003. At least thirteen members of his family were killed in the attack, including both his parents.

³⁰Raico is likely here referring to the case of the Dirlewanger Brigade. Led by Oskar Dirlewanger, the brigade was primarily composed of convicted criminals and became notorious for its sadism. The unit's methods were so brutal that some within the SS itself campaigned (unsuccessfully) to have the unit disbanded and Dirlewanger arrested.

England was always drifting or threatening to drift. I'm concentrating on this Manchester school because they adumbrate many of the traits of future classical liberal writers, down to the libertarian writers today, in their critique of war and the forces behind it. Cobden said, "It would seem as if there were some unseen power behind the Government, always able, unless held in check by an agitation in the country, to help itself to a portion of the national savings, limited only by the taxable patience of the public."³¹

David Hart of the Liberty Fund is going to put online two big volumes of Cobden's different pamphlets, and so on, all concerning foreign policy and international relations.³² Naturally, Cobden made speeches and wrote on many, many different issues, including on this subject. In my view, he was the greatest libertarian theorist of international relations who ever lived. In his very first pamphlet, he put on the title page a quotation from George Washington's Farewell Address. Washington said, "The great rule of conduct for us in regard to foreign nations is, in extending our commercial relations, to have with them as little political connection as possible."³³ So, no entanglements—not only *entanglements* but hardly any *connection*, if possible, with foreign governments. Rather, the idea was to let our merchants go all over the world—as in fact they did during our "terrible" isolationist period, when America had its "head in the sand"—and somehow American merchants were going to China, Europe, Africa, and everywhere. America then became an economic powerhouse in the nineteenth century. Cobden said these words of Washington are the primary cause of the prosperity and happiness of the American people. In his early years, before reality set in, he looked forward to the day when "the test of 'no foreign politics'" would be applied "to those who offer to become the representatives of free constituencies."³⁴ The idea was, no foreign politics—just have nothing to do with it. There was a Crimean

³¹F.W. Hirst, "The War Budget," *Economic Journal* 10, no. 37 (March 1900): 105, <https://doi.org/10.2307/2956947>.

³²See Cobden, *The Political Writings of Richard Cobden*, 2 vols. (London: T. Fisher Unwin, 1903), <https://oll.libertyfund.org/titles/cobden-the-political-writings-of-richard-cobden-in-2-vols>.

³³Washington, *The Writings of George Washington*, ed. Worthington Chauncey Ford (New York, 1892), 13:316.

³⁴Quoted in Hans J. Morgenthau, "Diplomacy," *Yale Law Journal* 55, no. 5 (August 1946): 1068, <https://doi.org/10.2307/792754>.

War, however, and the British public's wild support of it, that changed Cobden's mind on that, as to whether that was a reasonable expectation.

Bastiat, meanwhile, went so far as to propose the unilateral disarmament of France.³⁵ Bastiat asked, Who's going to come and invade us? Who's going to bother to send armies and garrison the country? Bastiat pointed out that France had a large, highly intelligent, and self-disciplined population. He suggested France set an example and get rid of its army.³⁶

A concept that's sometimes used in connection to the peace-and-trade position by historians is free trade imperialism—that is, being in favor of free trade and against protectionism but using the government in order to force other countries to adopt free trade to allow our capital imports and commodity imports. The American open door policy in China is a prime example of free trade imperialism. The American government and American business community at the time figured that we could outcompete any other country; so, what we had to do was make sure that China kept an open door, an equal open door, to all foreign countries and we could sell our goods there, outcompeting the British, the Japanese certainly, and others. Now, in order to enforce this open door policy, the American government used diplomacy, economic sanctions against Japan at various times, and finally the threat of war and war itself. It was the American policy towards China, and the so-called open door policy, that was the major stumbling block to good relations between the United States and Japan. So, that is something you can call free trade imperialism. Well, whatever you want to say about that, Cobden was no supporter of that at all. He declared, "Affairs of trade, like matters of conscience, changed their very nature if touched by the hand of violence, for as faith forced would no longer

³⁵See Bastiat's pamphlet "The Utopian," published January 17, 1847, <https://oll.libertyfund.org/titles/bastiat-the-best-of-bastiat-3-3-the-utopian>.

³⁶Bastiat also advocated the simultaneous disarmament of both France and the United Kingdom: Bastiat, "Speech on 'Disarmament, Taxes, and the Influence of Political Economy on the Peace Movement,'" <https://coppetinstitute.org/frederic-bastiat-speech-on-disarmament-taxes-and-the-influence-of-political-economy-on-the-peace-movement-1849/>. This was originally published as part of a report on the Second General Peace Congress held in Paris in August 1849.

be religion, but hypocrisy, so commerce becomes robbery if coerced by warlike armaments.”³⁷

Also, it’s important to note—and it is significant—that the Manchester school, as in the example of the repeal of the Corn Laws, was in favor of *unilateral* free trade—that is, in this view, you don’t enter into complicated agreements like the North American Free Trade Agreement. What you do is simply abolish your tariffs. You don’t give the impression that by abolishing your tariffs, you’re helping the other side. What you’re doing is you’re helping your own consumers, you’re helping your own public, to just do away with the tariffs and allow your own domestic consumers to buy things more cheaply. If the other side wants to punish its own people by keeping its tariffs? Well, that’s up to them.

Now, in respect to their foreign policy views, the Manchester men have been termed “Little Englanders.” Cobden’s critique of English imperialism in the British Empire was scathing and unrelenting. As he said, for instance, “the peace party . . . will never rouse the conscience of the people, so long as they allow them to indulge the comforting delusion that they have been a peace-loving nation. We have been the most combative and aggressive community that has existed since the days of the Roman dominion. Since the Revolution of 1688, we have expended more than 15 hundred millions of money”—pounds, in those days—“upon wars, not one of which have been upon our own shores or in defense of our hearths and homes.”³⁸

He continues: “We have manifested an insatiable love of territorial aggrandizement. In the insolence of our might and without waiting for the assaults of our envious enemies, we have sallied forth in search of conquest or rapine, and carried bloodshed into every quarter of the globe.”³⁹

Bright said, “What do you think of the people that have never experienced an invasion since the year 1066 and yet lives in daily fear of a foreign invasion?”⁴⁰ Is this some kind of mass delusion? Well, he thought it was forced typically by the government.

³⁷Cobden, *Russia* (Edinburgh, 1836), p. 44.

³⁸Cobden, *Political Writings*, 2:376.

³⁹Cobden, *Political Writings*, 1:104.

⁴⁰The exact quotation is, “But what are we to say of a nation which lives under a perpetual delusion that it is about to be attacked—a nation which is

By the way, from some statement like that, you might come to the conclusion that he was some kind of self-flagellating masochist or something. He wasn't. He was enormously healthy and happily married with a happy family life and political career and he loved England. But he loved his own little spot and place in England. He was a regionalist and gloried in the fact that he was an Englishman. What he was against was the policy of the English government and of the English predatory classes that supported that government.

Cobden died in 1865. John Bright survived him by twenty-four years. The most notable foreign policy issue that arose in this period involving Bright was Prime Minister William Gladstone's decision to occupy Egypt in 1882. It was a "temporary" occupation that lasted for seventy-five years. Bright, as a member of the cabinet, resigned in protest. At his advanced age, he could not make Egypt into a crusade, as he had at the time of the Corn Laws or as he tried to in the Crimean War. In private, Bright identified the city of London's financial interest as the chief force behind expansion and to Egypt, since holders of Egyptian government bonds were fearful of the loss of their capital.

So, now, in Bright's view, we've moved away from the old feudal classes, the nobility, the established church, the state and its functionaries as the fomenters of imperialism and war. Now it's certain capitalists' interests. He confided to his friend, Goldwin Smith, a famous historian at the time, that "it is a Stock Jobbers' war. We shall very likely have more of the same thing. One set of causes of war departs, another crops up in its place."⁴¹

JOHN STUART MILL AND AUSTRIAN INTERVENTION

It's an interesting view. We can contrast with the position of the Manchester school the position of John Stuart Mill. Again, Mill was no principled opponent of foreign intervention. In fact, he thought that foreign intervention was sometimes absolutely needed. The example

the most combined on the face of the earth, with little less than 30,000,000 of people all united under a Government which, though we intend to reform it, we do not the less respect it, and which has mechanical power and wealth to which no other country offers any parallel?" Bright, *Selected Speeches*, p. 213.

⁴¹George Macaulay Trevelyan, *The Life of John Bright* (London: Constable, 1913), p. 434.

he took is, if any Millian bothered to think about it, a rather embarrassing example for him.

What he said was this: Europe was filled with nationalist movements that were trying to gain independence from empires. For instance, the Hungarians within the Austrian Empire. He said, if a national movement should rise up, attempting to gain its independence from some tyrannical government, then we let them fight it out because whether the nationalist movement can survive or not is a good test of whether it's mature enough to become independent. However, what happened in 1848–49 in central Europe was this: the Hungarians were able to defeat the Habsburgs and maintain a certain independence for a while. But then the Habsburg emperor called in the Russians to help him. The Russian army came across the passes of the Carpathian mountains, as they did in 1956 to crush the revolution, and defeated the Hungarians. Mill says that in that case, when a third party intervenes, England has the obligation to use all of its resources to support the nationalist independent movement. He said those people who are in favor of non-intervention and little England and mind their own business are selfish. Mill said it was embarrassing for the whole world to see that the English are so selfish and interested in their own national self-interest, their own survival. He didn't use the term "altruist," but he said the English should be altruistic about this. So, he would have favored—as he did—the Crimean War to punish the Russians.

When I said that Millians would be embarrassed by his position, what I had in mind was this. The truth of the matter is that, yes, the Hungarians led by Lajos Kossuth wanted their independence from the Habsburgs. The way people judge superficially on these matters, Kossuth had well-wishers everywhere, including Britain and the United States. But, in actuality, what Kossuth insisted on was that Hungarians—that is, the ethnic group called Magyars, not the territory—should control all of the non-German parts of the Austrian Empire and that Hungarians should lord over the Slovaks, the Romanians, the Serbs, the Croats, and other minority ethnic groups. Do you follow what I'm saying? In other words, what he wanted was a smaller version of what the Habsburgs wanted. The Habsburgs wanted to control and lord it over different ethnic groups, and he wanted his own people, the Hungarians, the Magyars, to lord it over these various other groups. That was his actual position. There's no doubt about that.

John Stuart Mill presumably was one of the best-informed people in Europe. He was either not aware of this or didn't think it was par-

ticularly important, maybe thinking that the Hungarians were more advanced than these Slavic people and Romanians and therefore maybe the Hungarians deserved to be in charge. But my point is that here we have somebody who is willing to involve England in a war with Russia in 1849, on the basis of a lack of information and not really understanding what was going on. If he had been able to start a war with the Russians by pressing a button, he would have done it. The Crimean War came a few years after that, but there was no reason to fight the Russians at that time either.

This is very often the case. War making is often based on incorrect information or sometimes deceptive information and disinformation. In the case of the war over Kosovo in 1999, nothing is clearer now than that it involved an insurrection on the part of the Kosovo Albanians against the rule of the Serbians—Kosovo being a province of Serbia. This insurrection, which had been going on for a while, was led by a group called the KLA, the Kosovo Liberation Army, which had been labeled a terrorist group by the United States State Department. Well, Milosevic, the leader of Yugoslavia, attacked the KLA rather severely. It was an insurrection, and the Serbian state was brutal and harsh about putting it down. Nonetheless, that was the situation. However, it was nowhere as brutal as the United States government was in putting down the Vietnamese rebellion during the Vietnam War. The Serbians never used napalm and never destroyed villages en masse, and so on. The US government and the media, however, began a campaign saying that genocide was going on in Kosovo and that the Serbs were committing genocide. Maybe you're too young to remember. Maybe, like most Americans, you think it's ancient history anyway, so why bother?

One of the chief spokespeople in this media campaign was Christiane Amanpour, who should really be put on trial, the way the US does it or the Israelis do it, and just be shot in the streets for having fomented this war. Those of us of a certain age followed it in detail. They talked about genocide and heard that this is the worst example of ethnic cleansing in Europe since the Second World War. Eli Wiesel said it was genocide and that it was comparable to the Holocaust. I heard with my own ears Senator Joseph Lieberman say this is genocide. Amanpour said that one hundred thousand Kosovo Albanians of military age are missing. These people simply retell the stories, the atrocity stories, put out by the KLA. The media interviews refugees who say that there were hundreds killed with thousands missing, and so on.

The war is now over, however, and the US and NATO have control of Kosovo, just as they have control of Iraq now. They go wherever they can, looking for bodies, yet altogether they found 2,100 unidentified dead—unidentified, that is, in that it was not clear whether they were Albanians or Serbs. It is not clear if they were Albanian civilians or if they had been fighters and died in some firefight. The disinformation about this alleged genocide was disinformation spread by the US government, by other NATO governments, and by Western media. This was disinformation that stampeded an American public into supporting this war in Kosovo.

ANTIWAR LIBERALISM IN THE LATE NINETEENTH CENTURY

Now, to continue with the liberal antiwar tradition. This is what I mentioned the other day from Sydney Smith. Remember, I mentioned that Sydney Smith had studied under Dugald Stewart, who was a disciple of Adam Smith, and in this way imbibed his liberal ideas in the early nineteenth century. In 1823, he wrote to a friend,

For God's sake, do not drag me into another war! I'm worn down, and worn out, with crusading and defending Europe, and protecting mankind. I *must* think a little of myself. I am sorry for the Spaniards—I am sorry for the Greeks; I deplore the fate of the Jews; the people of the Sandwich Islands are groaning under the most detestable tyranny; Baghdad is oppressed; I do not like the present state of the Delta; Tibet is not comfortable. Am I to fight for all these people? The world is bursting with sin and sorrow. Am I to be champion of the Decalogue, and to be eternally raising fleets and armies to make all men good and happy?⁴²

This was a liberal who thought not. Now, in the United States, classical liberals were first mobilized against imperialism at the time of the Spanish-American War and the following war against the Philippine insurrection. (You know, it's always called the Philippine "insurrection," although by what right the United States acquired the Philippines as a colony and became the legitimate power against which these Filipinos were now engaged in "insurrection" is unclear.) The Anti-imperialist League was led by Edward Atkinson, E.L. Godkin of *The Nation*—at the time, the flagship classical liberal publication—and

⁴²Smith, *The Wit and Wisdom of the Rev. Sydney Smith* (London, 1869), p. 343.

Karl Schurz. These men were American versions of the Little Englanders.

There is a very famous essay by a man I just mentioned a little while ago, William Graham Sumner, titled “The Conquest of the United States by Spain.”⁴³ Sumner was a professor of sociology at Yale, the leading classical liberal of his time, a defender of the gold standard, free trade, against coercive unionism, against spending, and the author of the famous essay “The Forgotten Man.”⁴⁴ The forgotten man really would be an example of the productive individual who becomes prey of the predators, and interestingly enough, this was in the 1880s. He said the forgotten man is a person who does what he’s supposed to do, is where he’s supposed to be, contributes to society, and then becomes the victim of the do-gooder who takes from the forgotten man to give to the “underprivileged.” Sumner says the forgotten man—who, by the way, is very often a *woman* who may be a widow or a single woman who does what she’s supposed to do, works hard, and is frugal—doesn’t ask anything from anyone else and yet becomes a victim of government coercive charity.

This is just one example. Sumner did a lot of polemical writing of this kind besides his work in sociology, which he was very famous for. Now, in this essay, a speech first, called “The Conquest of the United States by Spain,” Sumner startles people by the title itself. The United States had just smashed Spain—the way we just smashed Iraq. Sumner says, yes, militarily speaking, the United States is victorious. But in fact, Spain was victorious in the field of ideas because what is happening is that the United States is going down the road that the Spaniards pioneered, the road of empire. In this way, America was turning its back on its own philosophy that had been the signature of the American people, the philosophy of the Founding Fathers. Instead, America was now opting for the grandeur of empire. Sumner notes that the Spaniards did achieve greatness through their empire, through great conquests, great wars, and great victories. But that came with a price, and the price was constant war, large standing armies, heavy taxation, inflation, debt, and crushing taxes.

⁴³Sumner, *The Conquest of the United States by Spain* (Boston, 1899).

⁴⁴This essay was originally published in 1883 with the title “On the Case of a Certain Man Who Is Never Thought Of.” See Sumner, *What Social Classes Owe to Each Other* (New York, 1883), pp. 123–33.

Remember that I quoted from the Spanish late Scholastics in an earlier lecture about how the level of taxation was destroying the substratum of the villagers and towns of Castile. This way of empire brought Spain to where it was in Sumner's day—the hollow shell of a country that the United States could so easily crush. Sumner concluded we're on that road now, and we can expect eventual defeat in a similar manner because this is in the nature of things and nature is Darwinian. Sumner ends using some language similar to Herbert Spencer: nature is not forgiving. Do A and that causes B, and all your wishes or your tears aren't going to make any difference. So, he warned about this and he said really what I would say myself. He said we seem to have decided on this road to empire.

He said the American people have been convinced and decided on the war and undertaken this road to empire. In this way, Americans put an end to the old republic.⁴⁵ He continued saying he didn't think "my own little essay" is going to make any difference—so, why was he doing it? He said he was doing it because the idea of the American republic really was quite an idea at the beginning. It really was quite a vision that the government would only take care of guaranteeing the rights to life, liberty, and the pursuit of happiness of the people and everything else would be left to civil society and to the voluntary interaction of people. Sumner says it is worth maybe paying a final tribute to it as it's about to vanish into history.

HERBERT SPENCER ON IMPERIALISM

Now, it turns out we could get into an interesting discussion on that—that there were some classical liberals who thought that war could be useful, including people who had a better claim to be classical liberals than John Stuart Mill did. Before I get into that, let me mention another late nineteenth-century and early twentieth-century liberal who is famous to you probably: Herbert Spencer. Spencer, of course, was a Darwinian. He was the originator of the phrase *the struggle for existence* and also *survival of the fittest*. So, Darwinism is a central view of his, but what Spencer believed was that warfare was suitable only to mankind's primitive stage. The Western world, however, had long

⁴⁵Here, Raico notes in an aside that although the American public was convinced to embrace the war with Spain, the idea of the war originated with "a small cabal."

since left the stage of militancy and entered the stage of industrialism. He uses the phrase *industrialism* also. War in the contemporary world was retrograde and destructive of all higher values. Early in his career, back in 1848, Spencer maintained, as the Manchester school did, that wars were caused by the uncurbed ambition of the aristocracy.

Much as Schumpeter afterwards was to say in a famous essay of his on imperialism, Spencer argued that war was linked to the feudal spirit.⁴⁶ Spencer also argued against state-sponsored overseas colonization as burdensome to the domestic taxpayers and oppressive of the native inhabitants—that is, in the areas overseas where these British colonists were being resettled. Spencer said colonists had no right to be protected by the government or society they abandoned. Spencer found none of England's recent wars, including the Opium War then being waged in 1843 against China, to be necessary.

At this earlier, more anarchistic period of his career, Spencer even suggested the defense of the country against invasion might be provided independently of the state. In *Social Statics*, Spencer has a famous chapter on the right to ignore the state and comes very close to anarchism.⁴⁷ (He left that chapter out in the later editions.) Through the following decade, Spencer opposed wars, meaning the colonial wars in which England was involved. At the end of his life—he died in 1903—he was outraged by the Boer War—the British attack on the Dutch farmers of the Transvaal and the Orange Free State. The pretext for hostilities was the refusal of the Transvaal government to extend voting rights to the Outlanders, who were mainly British immigrants who flocked to the little state to exploit the gold mines discovered there. In other words, in the mind of the British government, they were waging war against the Boers for the sake of bringing them democracy.

In an essay titled "Patriotism," sort of ironically, Spencer confesses that he had cherished a love of England because of its long history of fostering free institutions.⁴⁸ But his love of country could not survive the desolating war against the Boers, concocted by arch conspirators

⁴⁶Schumpeter explores these ideas in Schumpeter, *Imperialism and Social Classes: Two Essays* (Cleveland, OH: Meridian Books, 1951).

⁴⁷Spencer, "The Right to Ignore the State," in *Social Statics* (London, 1851), pp. 206–16.

⁴⁸Spencer, "Patriotism," in *Facts and Comments* (New York: D. Appleton, 1902), pp. 122–27.

like Cecil Rhodes and—again—the frenzied support of the English public, who supported also the Crimean War. Spencer said, “I am called unpatriotic—well, I am content to be so called.”⁴⁹ Spencer had evidently grown so embittered that he openly stated his indifference to the deaths of British soldiers engaging in imperialist adventures. At the time he wrote this, by the way, the latest imperialist war happened to be in Afghanistan. He wrote, “When men hire themselves out, to shoot other men to order, asking nothing about the justice of their cause, I don’t care if they are shot themselves.”⁵⁰ To the objection that his position amounted to a suicidal pacifism, Spencer replied,

Not so fast, is the reply. For one war an army would remain just as available as now—a war of national defense. In such a war every soldier would be conscious of the justice of his cause. He would not be engaged in dealing death among men about whose doings, good or ill, he knew nothing, but among men who are manifest aggressors against himself and his compatriots. Only aggressive war would be negatived, not defensive war.⁵¹

So, this was just about the last word of one of the most famous liberals of the nineteenth century, Herbert Spencer.

This brings up an interesting theoretical point: some liberals of this period have favored war under certain conditions, and this goes back to the eighteenth century. Among writers we could mention is Wilhelm von Humboldt. Even in *The Limits of State Action*, he says that there is some good that could be said for war. Humboldt did not actually support war, but he thought war did develop certain elements of the personality which tend to be stunted by modern society.⁵² That’s a kind of minor concession.

⁴⁹Ibid., p. 124.

⁵⁰Ibid., p. 126.

⁵¹Ibid.

⁵²This book is also found under the title *The Sphere and Duties of Government*. See Humboldt, *The Sphere and Duties of Government*, trans. Joseph Coulthard, Jr. (London, 1854).

THE FRENCH REVOLUTIONARY WARS AND SPREADING “FREEDOM” BY FORCE

Much more important is what Alexis de Tocqueville says about war and imperialism, and that’s a major reason I did not consider Tocqueville to be a hardcore authentic classical liberal. Another reason is that he didn’t care very much about economics. He didn’t know very much about economics. His views had to do with politics. He made some very important points about the dangers of centralization of power, and so on, but he was not any supporter of the factory system and the Industrial Revolution. As an aristocrat who lived off the rents of his land, I guess he saw no particular reason to have factories and industrialization. So, on that basis, he’s more middle-of-the-road or more of a Whig, I would say, than a real authentic liberal.

Especially on the question of war and imperialism, Tocqueville favored the creation of a new French colony in Algeria that had started in 1829, and he supported the British in India. He thought it was a magnificent occasion for advancing civilization. Here we have a more significant and theoretically interesting case, going back to the late eighteenth century. In the course of the French Revolution, France comes to wage war against almost all the rest of Europe. The group at this time in the French revolutionary complex that is considered liberal—in the sense of favoring a free society, free enterprise, and so on—are the Girondins and their close ally, Condorcet. Condorcet has a real claim to be an important classical liberal thinker, the main disciple of Turgot. At first, the Girondins and Condorcet had the position that the French Revolution—which they thought expanded freedom—was threatened by the reactionary powers of Europe. However, when the French revolutionary armies began to throw back the invading armies of the Prussians and the Austrians, the Girondins and Condorcet came to the conclusion that with the new freedom-loving principles of the French Revolution to lead them forward, the French revolutionary army should now undertake the liberation of Europe. The new idea was not simply to defend France and its revolution against attacks but now bring the blessings of the French Revolution or the new liberal order to everyone else.

So, what you have here is a first example, in a way, of another strain—I don’t think it’s really the major strain, and I don’t think it’s the most authentic strain—of classical liberalism—that is, the idea that you have now a free country that is also a powerful country and

it should use its power to spread freedom everywhere. This position was accepted also by a man who was in Paris at the time, a friend of Condorcet, Thomas Paine. You know Paine's work in the American Revolution, and Paine associated himself with the Girondins. In fact, Jacobins arrested Paine, and if the Reign of Terror continued, they probably would have guillotined him.

As the French revolutionary armies, as they said, "liberated" Belgium, Holland, Switzerland, the Left Bank of the Rhine River, and then Northern Italy, and so on, Paine became very enthusiastic and said that this is the beginning now of a federation of free states and supported the revolutionary armies. Now, this was also the position, as I say, from which you can draw a line to certain liberals. These were not very *good* liberals, but they were people who were considered liberals, like Palmerston in England in the nineteenth century. Later, this becomes Wilsonianism—the doctrine that we have a duty and therefore a right as a powerful and free country to use our power to support and extend our values to the unfree world. This is an argument which is used nowadays and is in very sharp contrast to the authentic liberal position of nonintervention, for which I'll give some theoretical and analytical reasons in my next lecture.

Lecture 5

War, Peace, and the Industrial Revolution

This morning what I'll be doing is finishing up some important and contemporary points about the question of war and peace among classical liberals and libertarians. I'll then discuss a major issue in the whole history of classical liberalism, the effects of the Industrial Revolution.

THE DEMOCRATIC PEACE

The point of contemporary interest is an issue that is often referred to as the question of the democratic peace. There are a number of theoreticians that have proposed this, and it has drawn some criticism as well. This is a kind of neo-Wilsonian position, and it maintains basically that the antidote—the *ultimate* antidote to war—is universal democracy. The major propositions in regard to international relations that it sets forth can be put in the words of a writer who perhaps you're familiar with: R.J. Rummel. R.J. Rummel is most famous for his book, *Death by Government*, which is a compendium of the number of people killed by various governments in recent decades in the twentieth century.¹ The book would seem to be useful, but I would urge you to be very careful in using his statistics. In some cases, it uses dependable sources. But, with the most important cases of death by government—that is, the Soviet Union—he comes up with a figure of deaths resulting from the policies of the Soviet regime of sixty-one million people, which is totally

¹Rummel, *Death by Government* (New Brunswick, NJ: Transaction, 1994).

preposterous.² Nobody except him believes that, and people who have been critics for a very long time of the Soviet Union have settled on a figure of about twenty million people under Lenin and Stalin and due to all causes.³ So, I'm saying that Rummel, somebody who is here in his own field of expertise, has to be treated with a certain amount of care.

But he's come into the debate on the question of the democratic peace, and we might as well quote him as well as anybody else. These are the basic propositions of this school of thought: (1) democracies don't make war on each other; (2) democracies limit bilateral violence; (3) democracies are the least warlike of states.

Rummel uses the phrase *liberal democracy*, which he equates with the free society—something that is questionable on a number of grounds—and Hayek's notion of spontaneous order. Liberal democracy, according to Rummel, is "a free market writ large: of the economy, society and politics within an overarching legal framework of civil liberties and political rights."⁴

According to Rummel, such polities are conducive to compromise and tolerance and are naturally attracted to each other because of their domestic similarities, thus reducing the possibility of violence between them.⁵

It is claimed that a vast body of data, from the time of the city-states of ancient Greece to the present, confirms these claims. The policy implications are clear and indeed have been adopted by the US government. President Bush himself has said something along the lines

²Rummel, *Death by Government*, p. 82. Rummel suggests a total of 61.9 million deaths—labeled as "the most probable estimate"—for the Soviet Union from 1917 to 1987.

³Raico here partly contradicts his 1988 article, in which he endorses an estimate (from historian Robert Conquest) of twenty million deaths *for the Stalin period alone*. To this, it would be necessary to add six to ten million additional deaths from the Lenin period. Of course, such estimates combined nonetheless come in well below the sixty-one million estimate offered by Rummel. See Ralph Raico, "Marxist Dreams and Soviet Realities," in *Great Wars and Great Leaders: A Libertarian Rebuttal* (Auburn, AL: Ludwig von Mises Institute, 2010), p. 153, <https://mises.org/library/book/great-wars-and-great-leaders-libertarian-rebuttal>.

⁴Rummel, "Democracy and War: Reply," *Independent Review* 3, no. 1 (Summer 1998): 103, <https://www.jstor.org/stable/24560863>.

⁵*Ibid.*

of “democracies don’t make war on democracies.” By universalizing democracies, according to Rummel and the other people of this school, we can expect an end to war. The theory of the democratic peace has of course been subject to a great deal of criticism—for example, in articles by Christopher Layne and especially Ted Carpenter of the Cato Institute. Christopher Layne argues that the realist view of international affairs much better explains the lack of armed conflict among democratic nations; that is, the power relations that have existed, for instance, in the Cold War, because of fear of the Soviet Union, make it unlikely that other democracies would have entered into any kind of hostile relationship with the United States.⁶

Definitions of which countries qualify as democracies appear to be particularly troublesome.⁷ In order to extend the range of data over 2,500 years, back to “democratic”—according to Rummel—classical Athens, he states that the definition of democracy employed in that case was loosened to include the criterion of at least two-thirds of the males having equal rights. However, this just doesn’t work. Even in classical Athens—leaving aside other Greek city-states and leaving aside women—the majority of the population consisted of persons without political rights, such as slaves and foreigners. The number of actual citizens entitled to vote was quite small compared to the population of Athens.

Cases in which democracies appear to have gone to war against each other are dealt with by denying the name *democracy* to one of the parties in the conflict. Thus, the Boer republics were not democracies, according to this point of view, despite their being so viewed by Britain and the rest of the world. Nobody at that time thought that if you denied votes to illiterate tribal blacks, you were somehow infringing on democracy. So, we have the Boer War in which Britain and presumably another democracy at that time—the Boer republic—went to war. In the US Civil War, the Confederate States of America also does not qualify as a democracy, because only white males could vote and the president was not directly elected. Here, Rummel seems to have forgotten that it was also the case in the republic founded in 1789. The president wasn’t directly elected but was elected by a complicated system involving the

⁶Layne, “Kant or Cant: The Myth of the Democratic Peace,” *International Security* 19, no. 2 (Fall 1994): 47, <https://doi.org/10.2307/2539195>.

⁷Carpenter, “Democracy and War: Rejoinder,” *Independent Review* 3, no. 1 (Summer 1998): 109, <https://www.jstor.org/stable/24560864>.

electoral college, which in those days was not a pure formality. Imperial Germany—that is, the German Reich founded by Bismarck in 1871—was not democratic, according to this view, despite the fact that it had universal manhood suffrage, which Britain did not achieve until decades after that. Because there was no ministerial responsibility to the Reichstag, and the army was not under Reichstag control, Rummel says, “in foreign policy Germany was autocratic without a democratic leash.”⁸ It is in particular historical cases such as this that Rummel and the other theorists—who were political scientists and not historians—show an astonishing ignorance.

The crisis of July 1914: not only was the British public and Parliament in the dark regarding the secret commitments to France that brought England into the war but it transpired that even *the cabinet itself* was unaware of their true content; that is, the fact that England had obligations that the French were prepared to call in, and insisted on calling in, was not known even to the British Parliament *or* the cabinet itself. This is when John Morley, the last of the great English liberals, resigned from the Asquith government in protest. The idea that the foreign policy of any of the great powers at the time, including the United States, labored under a “democratic leash” is absurd.

Another example that some of these people use, which shows an appalling ignorance, is how Italy got into the First World War. What they want to say is that Italy was a liberal government, so it reneged on its obligations to Germany and Austria and sided with the liberal countries of England and France.⁹ That’s not how Italy got into the war. Italy was not a democracy at the time. About 10 percent of the adult males could vote because of literacy and property qualifications. It was a backdoor, backstairs intrigue that got Italy into the war once the Italian regime was promised colonial spoils after the war.¹⁰ Leaving that aside, I imagine these kinds of details seem a bit arcane to most

⁸Quoted in Carpenter, “Democracy and War: Rejoinder,” p. 105.

⁹This view is presented by Michael Doyle, “Kant, Liberal Legacies, and Foreign Affairs, Part I,” *Philosophy and Public Affairs* 12, no. 3 (1983): 216, <https://www.jstor.org/stable/2265298>.

¹⁰John MacMillan, for example, concludes that Italy’s main concerns were territorial expansion and joining the winning side. See MacMillan, “Democracies Don’t Fight: A Case of the Wrong Research Agenda?,” *Review of International Studies* 22, no. 3 (July 1996): 282, <https://www.jstor.org/stable/20097449>.

people and somewhat obscure. But the fact is that this is a historical argument: Do democracies ever make war on other democracies? Is democracy historically a restraining influence on war making? The people who take that position, including Rummel, are simply wrong on the history.

Democratic England declared war on democratic Finland in 1941, to take another small example, as part of Churchill's desire to appease Stalin.

A striking example is Rummel's treatment of the Israeli attack on the American spy ship USS *Liberty* during the Arab-Israeli War of 1967. I don't know if you know about that, but there are websites devoted to this problem sustained by some of the remaining survivors of that attack. The attack by the Israelis, which resulted in the deaths of thirty-four American sailors and the wounding of 171 others, appears to have been deliberate, by all the evidence. Ordinarily, such an attack would result in a state of war. In this case, it did not because, among other reasons, President Lyndon Johnson's position was, according to a US Navy admiral, "that he didn't care if the ship sunk, he would not embarrass his allies."¹¹ In any case, Rummel takes the assault as having been intended by Israelis, and he doesn't think that it was an accident or a matter of misidentifying the ship. Rummel's strange grounds for leaving such an act of warfare out of consideration are that Israel was only partially free, owing to its heavily socialized economy.

HOW FREE ARE TODAY'S "LIBERAL" DEMOCRACIES?

Do you see how definitions here are being "massaged," as Carpenter says?¹² Rummel seems not to realize what bringing socialized economic elements does to his rosy-eyed view of the liberal democracies in the present world and his equation of democracy and freedom.

We go back to Herbert Spencer—more than a century ago now—who at the end of his life lived to see people talking so blithely about democracy and how that legitimates anything the government does. This is what Spencer said: "'Free!' thinks the Englishman. 'How can I

¹¹James Bamford, "The Cover-Up," *The Guardian*, August 7, 2001, <https://www.theguardian.com/world/2001/aug/08/israel>.

¹²Carpenter, "Democracy and War," *Independent Review* 2, no. 3 (Winter 1998): 435–41, <https://www.jstor.org/stable/24561023>.

be other than free, if by my vote I share in electing a representative who helps to determine the national transactions, at home and foreign?"¹³

But this is what Spencer replies to that position: "Delivering a ballot-paper he identifies with the possession of those unrestrained activities which liberty implies."¹⁴ This is the case nowadays very often, isn't it? One reason why the government controls public service announcements and insists that everybody has an obligation to vote is so the public equates voting with the most basic freedom of all. But Spencer says, despite the fact that an individual can deliver this paper ballot once every two years or four years or whatever, what is much more important is "the threatened penalty that every day reminds him that his children must be stamped with the state pattern, not as he wills it, but as others will."¹⁵ Spencer is saying that much more important than this one-hundred-millionth of a vote, for instance, that Americans have in a presidential election every four years, is the fact that they're under the thumb of the system of public education, enforced compulsory attendance, state subsidies, state dictation of content, and the content of your kids' minds. That's a lot more important than this mystified, reified, idealized paper ballot.

Spencer wrote that "the essential question for the citizen is what part of his work goes to the power which rules over him and what part remains available for satisfying his own wants."¹⁶ What I'm getting at is this: What is this thing, liberal democracy? Spencer gives it a good rule of thumb. An individual is free to the degree that he can control the product of his own labor, the product of his own efforts on the free market. What do we see among these so-called liberal democracies in the world today? What is the pattern of liberal democracy that the United States intends to impose wherever it goes—if it even gets that far and is successful at it? In all likelihood, Spencer would have scoffed at the notion that welfare democracies—that regularly tax away 50 percent or 60 percent of the citizens' income—can rationally be termed "free societies." Sure, people have the right to produce and distribute pornography to their heart's content. I'm not saying that to feud with

¹³Spencer, "Imperialism and Slavery," in *Facts and Comments* (New York: D. Appleton, 1902), p. 165.

¹⁴*Ibid.*

¹⁵*Ibid.*

¹⁶*Ibid.*, p. 168.

it, as it's a personal matter, but I don't think that *that* freedom is as important as the freedom to keep what you yourself have earned and to use it for your own purposes and the purposes of your family.

ANTIDEMOCRATIC ELEMENTS WITHIN THE AMERICAN STATE

Rummel concedes that even within democracies, there are agencies such as the CIA that are virtually totalitarian subsystems under no popular control whatsoever. This he does to forestall the criticism that the United States in recent decades has plotted assassinations and brought into being armed insurrections with states with which we are not at war. The US has actually overthrown or helped overthrow democratically elected regimes in Guatemala, Iran, and Chile, for instance. These actions are hardly compatible with the tolerance and respect for others that democracy in Rummel's account is supposed to foster. Rummel's reply is that the solution to this problem—the existence of these subsystems of totalitarian control within a democratic system—is “more sunshine and greater democratic control.”¹⁷

That seems fatuous to me; as if it were at all likely to occur—bringing the CIA, the NSA, and all the other intelligence agencies under democratic control, particularly in the United States. These agencies undertake to involve themselves in the internal affairs of countries all over the world in an attempt to transform them into democracies. How many people in America even know that the CIA plotted a number of times to assassinate Fidel Castro? The only question is whether it bothered to inform John Kennedy about it or kept him in the dark so that he could invoke deniability if it ever was made public. The CIA tried a number of times—with the usual brilliance and invariable success—to poison Castro's cigars. They tried to have some kind of depilatory agent introduced so he would lose his beard, which was allegedly a patriarchal status symbol important to his people.

It's not surprising that Castro invited Soviet missiles, especially after the Bay of Pigs invasion of Cuba. This is how the CIA operates, and the idea that somehow sunshine can be brought into the activities of the CIA is absurd. One aspect of the question that seems to have been overlooked by the democratic peace advocates is this: Let us suppose that all countries could be turned overnight, or in a short amount of time, into well-established democracies meeting the criteria that are

¹⁷Rummel, “Democracy and War: Reply,” p. 108.

used by these theorists: enjoying civil liberties, the rule of law, property rights, etc. Then, leaving other considerations aside, the notion of universal perpetual democratic peace might have a certain superficial plausibility unless a world of well-established democracies eventuates into a world government.

Short of a nuclear holocaust, a world government is the worst thing that could happen to our race. A universal government with tax harmonization throughout the world; redistribution from America, Europe, and Canada to the majority of the world's population in India, China, Bangladesh, Indonesia, and so on; a world bank where central bankers can inflate to their heart's content.

Aside from world government, supposing that we still have independent democratic states—well, maybe there could be universal democratic peace. However, the process of universalizing democracy and turning democracy throughout the world into a reality—the crusade to do so—would be a long, drawn-out affair entailing a multitude of unintended consequences. The power and authority of the US government would be enhanced, inevitably, as we see it's being advanced even in this current war on terrorism. The cost to American taxpayers would increase. How much of the free society would remain is problematical.

CLASSICAL LIBERALISM AGAINST FOREIGN INTERVENTIONISM

Now I think I'll end here on some general considerations, drawn from the history of classical liberal thinkers back to Richard Cobden, William Graham Sumner, and Murray Rothbard, who wrote a lot on this question and others. So, these I propose as general objections to interventionism in foreign affairs.

In the case of the United States—today, by far, the most significant case, since this country is the only existing superpower and a would-be world hegemon—a number of theoretical considerations would seem to weigh heavily against the policy of interventionism from a libertarian standpoint.

First, there is no reason to suppose that our political leaders are any more competent in international affairs than they are in domestic affairs. You think they've made a mess of the economy, that they've made a mess of American society? Why suppose that they're going to be any more competent in the international arena? The process by which our leaders are selected is practically guaranteed to assure general incompetence and ignorance. Foreign interventions will often be

triggered by purely partisan political considerations—that is, immediate advantage to the politician or his party. Political leaders know that public opinion polls almost invariably register a shot in the arm, as they say, to the president's popularity when an overseas imbroglio comes about.

Second, the central insight popularized by the school of public choice is highly relevant in the field of foreign affairs. The decision to intervene is subject, like all political decisions, to the influence of pressure groups who represent constituencies with their own axes to grind. Meanwhile, the interests of the public at large are lost in the process of determining policy.

It cannot be emphasized strongly enough that the American people are “rationally ignorant”—as the phrase goes among public choice theorists—in foreign affairs. Their knowledge of foreign countries, of their histories, of their problems, even their approximate locations on the map, even *the continent in which they are located*, is limited, shall we say. It's been the subject of well-earned ridicule. An interventionist foreign policy will tend, therefore, to be determined by relatively small groups and cliques, with a private interest that is financial and sentimental, in foreign entanglements. Such groups that have influenced US policy abroad include particular capitalist circles eager to socialize the cost of doing business in foreign countries. Nowadays, that includes the oil companies, obviously, and various American ethnic groups with strong emotional attachments to foreign states and political movements. And I don't just mean the Zionists. There is also the Cuban-American constituency in the crucial state of Florida that keeps pressure on the Republican Party to continue this economic blockade of Cuba that's been going on for over forty years. The blockade has not toppled Castro but has just given Castro and the communists an excuse for the failure of the communist economy in Cuba. Castro can blame it on the Americans and the American embargo. Now, across the board, liberal, conservative, and centrist political voices say it's time to end this stupid embargo. It hasn't done what it was supposed to do, so why has the embargo not ended? To a large extent, this is because of the political influence of this constituency in Florida that feels immensely strongly about it.

Third, even supposing that an activist foreign policy were formulated by competent leaders—fat chance!—who never exploited it for personal political advantage and who were invulnerable to pressures from special interests, the world is still such a complicated place that there will likely be negative unintended consequences from American

interventions. The classic example is World War I, where US involvement led to total Entente victory. This total victory for England and France at the Paris Peace Conference, which produced the vindictive Treaty of Versailles, set the stage for World War II.

A further point, following the reasoning of William Graham Sumner: the globalist policy perverts the American constitutional system,¹⁸ concentrating power in the presidency and the executive branch—in groups like the CIA which are totally impervious to public scrutiny—rather than in Congress. The globalist policy also concentrates power in Washington instead of in the states and localities. Inevitably, if you have an activist foreign policy, that's where the power is going to be channeled. It's going to be channeled to the executive branch because that's the branch that carries out foreign policy.

The fact that this channels power to Washington rather than the states and communities means more political power is situated in the places furthest from public oversight. It means political activities are centered in the area of policy most distant from the interests and concerns of the people at large.

Speaking of democracy, I think that you'll find it a common phenomenon that people get most excited—you see it on your local TV news—about whether a traffic light is going to be put up at the corner or not. The people turn out to discuss this, they debate about it, they pressure their councilmen about it, and they know something about it. They have some deep personal interest in it. When it comes to bombing this country or that country, or threatening to bomb this country or that country, or engaging in acts of war—an undeclared war against one country or another—the American people will simply go along with their leaders. After all, the thinking goes that their leaders know much more than they do and they're certainly impartial and not self-interested in what they're doing. We're back to Spencer's point on democratic voting: we voted for them, these leaders, and they are *our* leaders. It's part of the whole democratic myth.

DEMOCRACY DOES NOT MEAN FREEDOM

Finally, focusing on foreign affairs diverts attention from the need to reform at home. Right centrists or center-right people like Rummel

¹⁸See Sumner, *The Conquest of the United States by Spain* (Boston, 1899).

may be satisfied that the United States is a free country. Others are not so easily satisfied.

The problems we face in our own country—including numerous threats to freedom—are well documented today by writers like James Bovard, Paul Craig Roberts, and Paul Gottfried.

Gottfried has examined the systematic international campaign, on the part of elites in America and Canada and in European countries, to destroy the traditional culture of those societies and replace it by what left intellectuals would much prefer. This includes feminism. This includes attacks on everything the elites consider to be racism.¹⁹

The most recent example: Some high school kids decided to have, besides a regular high school prom, a high school prom for whites, and they were not just attacked by their own school officials and by the politicians in the area—this became a *national* issue. Columnists from the *Washington Post* and the *New York Times*, and so on, attacked these kids. I don't think any of them mentioned that everywhere in America there are black-only high school proms.²⁰ And everywhere in America there are black dormitories, there are areas in which blacks prefer to associate with their own kind. But the fact that whites did this becomes an issue, and this is the kind of thing that Gottfried is talking about. He's not defending slavery or racism in any real rational sense. What he's attacking is a campaign against pseudoracism—that is, as Paul Craig Roberts says, this means any kind of equal treatment for whites.

Another threat we face is the threat to free speech. Speech codes have gone a lot further in Europe than in America, but through international agreements, and in the future, they may come to the United States also.

¹⁹See Gottfried, *After Liberalism: Mass Democracy in the Managerial State* (Princeton, NJ: Princeton University Press, 2001) and *Multiculturalism and the Politics of Guilt: Towards a Secular Theocracy* (Columbia, MO: University of Missouri Press, 2002).

²⁰This is likely a reference to a 2003 case at Taylor County High School in Butler, Georgia. The high school had held its first integrated prom in 2002. The next year, some students revived segregated proms. This was condemned in numerous media outlets. For example, see "Times Aren't A-Changin'," *Washington Post*, May 16, 2003, <https://www.washingtonpost.com/archive/opinions/2003/05/18/times-arent-a-changin/e8eae570-6bef-4d93-b730-d1e4b60b7147/>.

Nor is it just speech codes. Some people say we have to somehow control the internet because there's so much garbage and filth there. Well, I would tend probably to agree with something like that latter part, but what I would suggest is that the first attempt to control the internet, *for whatever reason*, will inevitably lead to *political* censorship of the internet. It will mean censorship of anybody considered right wing or "extreme right wing" or any group considered a "hate group." They'll use the usual communist salami tactics. First they'll start with the most "extreme," and I can redo this famous thing about the Nazis: first, they'll come for the fascists, then they'll come for the extreme conservatives and anybody who denies their left-liberal egalitarian worldview. So, we have to be worried about any attempt to censor the internet, which is at this point, really, just about all we have in the way of freedom of expression.

These are the kinds of problems that Jim Bovard and Paul Craig Roberts deal with. Is the United States a free country—we're so far ahead, we're so great, we're so much the city on the hill—that we can choose right now to simply impose our version of democracy on the rest of the world?

Democracy that is to be imposed on other countries is not going to mean what Thomas Jefferson thought it meant. This democracy will mean introducing into Muslim societies the methods of Planned Parenthood and "reproduction rights" for women, including birth control and abortion. Only Catholic publications have taken note of this aspect of what "democracy" actually entails. I don't want to deny that there's a case to be made for a woman's rights in general. However, this democracy will mean only democracy in the sense preferred by American and Western European elites.

Is America really so perfect that we don't have to worry about what's going on here and we can start worrying about the rest of the world? Libertarians wonder to what degree a country can be said to be free if close to 40 percent of the citizens' income is confiscated by different levels of political authority year in, year out.

I will finally end with a relevant quotation from Richard Cobden along these lines. Cobden said, "The 'true secret' of despots . . . is to employ one nation in cutting the throats of another, so that neither may have time to reform the abuses in their own domestic government."²¹

²¹Cobden, *1793 and 1853 in Three Letters* (London, 1853), p. 44.

In other words, the strategy is to direct the attention of the people to foreign enemies and ramshackle regimes such as the Saddam Hussein regime, which according to Tony Blair, was in a position to launch attacks on Britain within forty-five minutes' notice.²²

In the book *1984*, the book's hero, Winston Smith, has a job operating a "memory hole" at the Ministry of Truth. Whenever the party line changes, what he has to do is go back and search out the newspapers where the party had taken a different position from what the party had said earlier. This is important in foreign policy in *1984* because the party's alliances with foreign countries shift, and it's important for the regime to convince people that the current enemy has always been the enemy and the current enemy is a country of cannibals and savages. But, in the past, the party was allies with the country that is now the enemy. That means Smith has to go and get the old newspapers and destroy the articles where the party was allied with the country the party now claims is the eternal enemy.

Nowadays, though, the government doesn't *need* memory holes. What actually was the case, you can find anywhere on the internet, you can find in major newspapers. The true facts will be in the newspapers in your library, and they're right on your computer. You can find that the government lied about this, that the government leaders lied about that. But it turns out Orwell was wrong. Orwell thought that somehow people would care if it turned out that they could read in the newspaper that the government had lied. So, Orwell thought all that old information had to be destroyed. We know now that the information doesn't have to be blocked out. Even though the information is still there, the people don't care, for the most part.

Cobden's view is that instead of diverting attention to nonexistent, puffed-up enemies, what we should do is pay attention to reforming our own domestic society. He meant the England of his time, and I would suggest we pay attention to reforming the America of our time.

²²What came to be known as the "45-minute claim" originated in a September 2002 report released by the Blair government in an effort to increase public support for the US and British invasion of Iraq in 2003. The claim was later debunked: Andrew Sparrow, "45-Minute WMD Claim 'May Have Come from an Iraqi Taxi Driver,'" *The Guardian*, December 8, 2009, <https://www.theguardian.com/politics/2009/dec/08/45-minutes-wmd-taxi-driver>.

WHY HISTORY IS SO IMPORTANT

Well, that's what I want to say about international affairs, and I want to start now to discuss another quite important issue, and that is, in general, the issue of the Industrial Revolution. Now, there's a book I suggest to you that has been in print since it was published by the University of Chicago Press. It was edited by Hayek, with contributions by a number of different authors, and the book is *Capitalism and the Historians*.²³ It comes from 1954, so the research is somewhat dated, but I'll deal with that in a moment.

Actually, the most important thing in the book is the introductory essay by Hayek, "History in Politics." Here, Hayek has one of his best essays. It really shows Hayek at his best—his wisdom, his careful statement of issues and careful presentation of his own answers. He says that when we think about it, there's a very close connection between people's views of history and their political views. Now, if you're an economist or a philosopher, if that's your field, you might feel that this is rather unfair. You might feel that really those are the disciplines which people should study in order to come to conclusions about what's best for us individually and what's best for society. However, for better or worse, that's not the way it's done, and if you think about it, I think that, maybe even in your own case for the most part, your political views have been very strongly influenced—and in many ways determined—by what you think history has shown.

See if this sounds familiar to you: There was a time in America, starting in the last decades of the nineteenth century, that America was under a regime of *laissez-faire*. Under this regime of *laissez-faire*, there grew up a class of robber barons who got together and eventually cartelized and monopolized the American economy. Then, thank God—who does look over the United States of America!—we had the Progressive movement, the Sherman Antitrust Law, and Progressive leaders like Teddy Roosevelt. These Progressives put an end to this terrible regime of *laissez-faire* and in that way salvaged the American economy through government intervention.

Do you agree that such a view exists? Have you ever heard such an interpretation as that?

²³F.A. Hayek, ed., *Capitalism and the Historians* (Chicago: University of Chicago Press, 1963).

That's one interpretation. Here's another one. In the 1920s, *somehow*, we got laissez-faire back and laissez-faire went haywire. People started speculating like crazy on the stock market. There's a tremendous irrational boom and it ended in the Great Depression, which was thankfully dealt with by the super-savior of American history, Franklin Roosevelt. Roosevelt came in with his New Deal, and through government intervention in many different respects, and saved the American economy.

Does that sound familiar, this interpretation?

Here's another one, more in connection with international affairs. In World War I, we had a man as president who was virtually a saint and who agonized with spiritual issues. Finally, against his will and every inclination, he was forced to bring about a declaration of war against Germany and get us into the First World War. This saint, Woodrow Wilson, harbored a dream and a vision for a League of Nations. God smiled on the United States again, and we were on the winning side in that war and President Wilson went to Paris, to the peace conference, in order to bring about his dream and his vision. It was finally agreed to by his other allies—that was part of the Treaty of Versailles with Germany—that a League of Nations should be set up to put an end to war. This sainted, spiritually tormented man returns to America and tries to get the Senate of the United States to agree to this treaty. The Senate of the United States at that time was controlled by a group of men that history knows—or that you at least know, or that I at least know—as “isolationists.” (Isn't that the term that's used? Not “noninterventionist” or “people who believed in US neutrality” but “isolationists.”) So, they turned down the Treaty of Versailles and in this way broke the heart of this sainted American president and kept America out of the League of Nations. The inevitable result was Hitler, the Second World War, and everything that came about from that.

Doesn't that teach us something? Isn't this one of the lessons of history? We should follow our sainted and inspired leaders and especially engage in cooperative efforts of collective security through international organizations such as the United Nations. Does that sound like a very familiar interpretation of history?

Others could be cited. In all of these cases—the case of the so-called robber barons, the case of the Great Depression, the case of the League of Nations—I would suggest that most people who have any views or impressions or ideas at all about the pertinent political issues

take their views from these interpretations. This is what determines their views.

They say, “We tried laissez-faire in the past. It led to monopolies and trusts; it led to the Great Depression. We tried a system of mind-ing our own business and neutrality for the United States. It led to the rejection of the League of Nations and it led to Hitler and everything else.”

Hayek doesn’t give these examples, but these would be examples confirming his view, I think, that history is a major determinant of the views that people have about politics.

THE INDUSTRIAL REVOLUTION MYTH

Now, why Hayek was into this is that he’s introducing his book, *Capitalism and the Historians*, and he talks about the supreme myth that has been used against capitalism. That is the myth of what happened during the Industrial Revolution.²⁴ That’s what I want to talk about in the time that remains.

We now know that the Industrial Revolution occurred, even in England, at a much slower pace than originally supposed. It was over a span of time of probably close to a century—let’s say from 1750 to 1850—that industrialization got underway in Britain. But, nonetheless, the main outlines remain the same. It was a question of the introduction of the factory system, where the production of a particular good now took place in different stages but all under one roof and with the application now of the steam engine and specialized machinery to every step of the process of production. The division of labor was intensified in this way. The world market expanded, urbanization took place, and these various aspects constitute what’s known as the Industrial Revolution.

For a long time, a myth prevailed, the myth that Hayek refers to. It was thought that the Industrial Revolution represented a catastrophe for the working classes of Britain, and Britain was a test case of the results of the Industrial Revolution. Everybody agreed to that. The Industrial Revolution eventually spreads to other countries, and so on, but historians and scholars want to focus on Britain, see what happened there, and whether it was a bad or a good thing. The first idea

²⁴Hayek, *Capitalism and the Historians*, pp. 3–29.

was that it was a catastrophe. The new factories, it was claimed, ushered in a nightmare world of slave-like conditions for working men that were even worse for women and worst of all for children. Cruel poverty, filthy slums, rampant pollution, and a host of other social evils were the end result of giving free rein to the heartless regime of *laissez-faire*. As the story goes, only in the last years of the nineteenth century, with the introduction of effective factory laws and other government measures and, above all, with the rise of labor unions, did the condition of working people start gradually to improve.

HOW BRITAIN AND FRANCE SPREAD THE ANTI-LAISSEZ-FAIRE NARRATIVE TO THE DEVELOPING WORLD

The lesson taught by this presumed historical example—repeated endlessly in popular literature, from clerical and political pulpits, in schoolrooms, and in university lectures—was clear and decisive. The university lecture halls are of particular interest here because of what happens in the first decades of the twentieth century.

In Britain and France especially—but also in other Western European countries that had colonial empires—the elites from the colonies are often brought to the home country in order to undergo advanced education there, and in this way, the rulers of each empire hope to meld the native populations of the colonies more to the home country's ways of thinking. After the Second World War, leaders of places like Ghana, Indonesia, and Vietnam—many of whom later became communist revolutionaries—had studied at British and French universities. They had learned these alleged lessons of the Industrial Revolution, and they were determined that, yes, they would industrialize their countries but they wouldn't industrialize their countries through awful *laissez-faire*. In their minds, they thought, "Look at what *laissez-faire* had done to Britain and other countries that had had to endure it during their industrial revolutions!" That all came out of the intellectual and academic arena. In the *political* arena, meanwhile, this myth about the Industrial Revolution created a standing presumption in favor of state intervention to protect the present-day victims of capitalist exploitation.

However, things began to change in the 1920s, when what has been called the "optimist school" among historians of industrialization made gradual and then more rapid progress against what are called

“the pessimists” in the higher levels of scholarship.²⁵ This change was based on the steady accumulation of more objective, less politically contaminated data. The change included the refinement of statistical techniques and the application of better economic theory. The earlier view had largely been based on the “blue books” collected by Parliament and the House of Commons’s commissions on the condition of working people in the mid-nineteenth century and after that. These are called blue books, and what was behind these commissions is of interest and importance.

LIBERALISM IN BRITAIN

In England, following the Napoleonic Wars of 1815, Parliament was still “unreformed.” There are heavy tariffs to the advantage of the land-owning nobility. They control all public offices. The Church of England bases its income largely on tithes extorted from nonbelievers, from Presbyterians and Baptists and Quakers and others. In other words, you have a parasitic established church and many other elements of conservative control and domination of English society.

At this time, there’s a powerful liberal movement in England that threatens the domination of the older establishment. The liberals threaten also, for instance, the slaves owned by the absentee plantation owners—mainly English noblemen—and the slaves in Jamaica and other places. The liberals want to do away with slavery. So, they want a general reform of British society and they’re making a lot of noise and they’re agitating public opinion.

Now, the Tories and the defenders of the establishment and the status quo come back with a counterattack. They say, “You liberals, you great lovers of the oppressed, don’t you have your own oppressed? Aren’t you yourselves slave owners in a sense? What about the workers in your factories? Why don’t we go in and investigate what’s happening there?”

Parliamentary commissions are set up with the political aim of exposing the factory system at the base of the economic power of these liberals and these reformers. And, just as when US Congress sets

²⁵See J. Potter, “‘Optimism’ and ‘Pessimism’ in Interpreting the Industrial Revolution: An Economic Historian’s Dilemma,” *Scandinavian Economic History Review* 10, no. 2 (1962): 245–61, <https://doi.org/10.1080/03585522.1962.10407629>.

up some committee or subcommittee to investigate sweatshop conditions in Chinatown in San Francisco or elsewhere, the investigators bring in people who are ready to tell them the worst horror stories. The commissions don't generally consider *why* these people are working in sweatshops in San Francisco when they could be "enjoying" life in Shandong Province.

And then the congressional committee issues its findings. They are compendiums of horror stories, one after another, about terrible conditions, people working sixteen to eighteen hours, women working, children working, as well. It was on the basis of these collections of the supposed data that the first interpretations and histories of the Industrial Revolution were composed.²⁶ Friedrich Engels, who, of course, was Marx's collaborator, wrote a book, *The Condition of the Working Class in England in 1844*. The book is based on these parliamentary commissions.²⁷ Other people began lecturing and writing about the Industrial Revolution and took the same tack.

In the early twentieth century, things began to change because better, more detailed, and more comprehensive data begins to be collected on wages, on available foodstuffs, on longevity, length of life, and so on. Once this other data became available, people don't have to depend on what we might call "contaminated data." Now we can go to the sort of data that historians can debate—more objective facts. Moreover, new probing questions were asked—the sort of things that didn't occur to earlier writers opening novel perspectives. You had a different and contrasting interpretation of the Industrial Revolution beginning with J.H. Clapham,²⁸ an older historian of the '20s and '30s. But we especially see the change in the '40s and '50s. T.S. Ashton, for example, was represented in Hayek's collection *Capitalism and the Historians*.²⁹ More

²⁶One of the most notable of these reports is the Sadler Report, published in early 1833, which reported a number of testimonies from factory workers about conditions in the mills.

²⁷Engels, *The Condition of the Working Class in England in 1844* (New York, 1887).

²⁸Clapham, *An Economic History of Modern Britain* (Cambridge: Cambridge University Press, 1963).

²⁹See Ashton, "The Treatment of Capitalism by Historians" and "The Standards of Life of the Workers in England, 1790–1830," in Hayek, ed., *Capitalism and the Historians*.

recently, there is Max Hartwell—who is retired now—at the University of Chicago and Oxford.³⁰

Fundamentally, what came out of this newer research is this: For most of the working people of Britain, the standard of living did not deteriorate, let alone collapse, as a result of the Industrial Revolution. Rather, the standard of living improved slowly from around 1780 to 1850 and more rapidly thereafter. This occurred despite powerful factors working in the opposite direction—countervailing factors that tended to depress the standard of living—so that even if it were discovered that actual living standards had fallen, this would not necessarily count against industrialization. It could have been that industrialization permitted people to have a higher standard than they would have otherwise, even though, let's say, in actuality, living standards fell because of other factors that I'll talk about.

First, there were the destructionist effects of a whole generation of war with the French Revolutionaries and Napoleon. It was the most expensive war in history to that time—from 1793, when England declared war on revolutionary France after the execution of the king, to Waterloo in 1815. During that time, there was just one year—around 1804—of truce. There was a whole generation of war. All of the wealth and assets that England poured into this war included all of the ships and the furnishing of men, the artillery, other munitions, and the subsidies given to Britain's allies on the Continent to fight against the French. This immense amount of wealth was, you could say, used for a good purpose, the defeat of Napoleon. Nonetheless, this wealth was not available for productive uses for the general British public. It was wealth that *could* have gone into increasing the capital stock of England and therefore tended to raise wages, producing more for the British consumers, including working people. This wealth simply disappeared. It was used in the war effort.

Secondly, a sharply regressive system of taxation was used to finance the war, and an array of counterproductive government measures and policies further depressed living standards.

³⁰See R.M. Hartwell, "The Rising Standard of Living in England, 1800–1850," *Economic History Review* 13, no. 3 (1961): 397–416, <https://doi.org/10.2307/2599511>, and *The Industrial Revolution and Economic Growth* (New York: Routledge, 1971).

HOW INDUSTRIALIZATION SOLVED THE PROBLEM OF OVERPOPULATION

Now, finally, I'm going to elaborate on some of these points.

One important related topic is population and population growth. In the middle of the eighteenth century, the population of England was six million. It had never been higher than that, and the population of none of these European countries had ever been substantially higher than was the case in the middle of the nineteenth century. There had been some temporary peaks at one time or another, but basically the population in the mid-nineteenth century was the limit of population.

Yet, you see now the population of Europe as a whole, from 1800 to 1900, increased from around 180 million to over 500 million. This was an unprecedented population explosion in the history of mankind. It was not limited to Europe, by the way—you found this in other areas, of course, such as Eurasia. The reasons for it are not totally clear. Nonetheless, this is the fact of the matter. So, the question is, What were different societies going to do about this population explosion? How could these new tens of millions of people be fitted into the older, mercantilist, guild-controlled economy with the older methods of production?

I started off this series of lectures by quoting Mises on the European miracle. Here, Mises again puts his finger on the essential point, which is that on the eve of industrialization, Europe was faced with this unprecedented population explosion, and the Industrial Revolution was Europe's and America's answer to this problem.³¹ Ultimately, industrialization was the way that these tens of millions of people were able to survive. So, our friend Ayn Rand says that people should get down on their knees and celebrate the smokestacks of the factories of the Industrial Revolution. That's a novelist's way of saying it, maybe, but she is perfectly right.³²

³¹Mises, "Individualism and the Industrial Revolution," in *Marxism Unmasked: From Delusion to Destruction* (Irvington-on-Hudson, NY: Foundation for Economic Education, 2006), pp. 35–42.

³²The original quotation is, "Anyone over 30 years of age today, give a silent 'Thank you' to the nearest, grimmest, sootiest smokestacks you can find." Found in Rand, *The New Left: Anti-industrial Revolution* (New York: Signet, 1971), p. 138.

Ultimately, you understand, I hope, that you don't actually work a lot harder than your grandfather and your grandparents or your great-grandparents and the people before them worked. You might *think* that you're like some draft animal and work so hard. But it's not really the case, and the reason that you enjoy a higher standard of living has to do with the accumulation of capital and the workings of the capitalist system. That's what people began to acknowledge to a small degree, then a little bit more. In any case, it's what people began to experience during industrialization.

These population figures are about the best we can get, the best I've been able to find, and they're interesting in their own right.

The population of France in 1750 must have been about twenty million. Notice that France historically—up until the nineteenth century—always had a much higher population than England did. In fact, up until around the time of the French Revolution, and also the Russian participation in the partition of Poland, France had the largest population of any country in Europe. This is one reason why France was the standard military power of Europe for so long. But then the English population begins to explode and overtake the population of France.

France, of all the great countries, is the only one whose population remains quite steady. What social reasons are behind that—having to do with the inheritance of land or early introduction of birth control procedures—I don't think is clear. Meanwhile, the population of Italy was increasing enormously, despite the fact that millions upon millions of Italians immigrated. Italians formed, for instance, the largest ethnic group—biological, not linguistic—in Argentina. As we know, many Italians have come to America and enriched our American culture almost *infinitely*.³³

Unlike in England and France and Germany, overpopulation remained a steady problem for the Italians, because in southern Italy, industrialization has never taken place—that is, the region south of Rome: Naples, Calabria, Sicily, and so on. In the south, they have this endemic unemployment, which has been going on for so long, along with many other social problems.

At the same time, you see very significant growth in population in Germany. So, by the end of the century, there are thirty-six million, more or less, French and fifty million Germans. There are even

³³Raico is being sarcastic here and joking about his own Italian ancestry.

more inhabitants of Austria-Hungary. In Ireland, in the middle of the century—closer to 1840 than 1850—the population would be six and a half million people, which is more than it's ever had since.³⁴ That's many more than it's ever had since because three and a half million emigrated afterwards because of the Irish famine. The vast immigration of the Irish—the diaspora of the Irish—was partly due to the terrible death rate, although these people didn't die generally from starvation. They died from the diseases caused by malnutrition. You could also talk about Russia or Poland, and the rest of Europe would be parallel. The question is, "What's to be done with all these new people?" You can read about the answer in Rosenberg's and Birdzell's book *How the West Grew Rich*. As they say, the Industrial Revolution was not the problem, it was the solution.³⁵

³⁴This refers specifically to the Republic of Ireland. The region of Ireland that is today the Republic of Ireland had a population of 6.5 million in 1840. In 2022, the Republic's population was about 5.1 million.

³⁵See Nathan Rosenberg and L.E. Birdzell, Jr., *How the West Grew Rich: The Economic Transformation of the Industrial World* (New York: Basic Books, 1986), p. 147.

Lecture 6

The New World of Capitalism

I'd like to say a few more things in regard to the Industrial Revolution, considering that it is such an important topic. Rosenberg and Birdzell sum up the historical and statistical evidence as follows: "By now, it is quite clear that the new factories and towns were a large part of the solution to Europe's problem of employing a rising population outside of agriculture; they were not part of the problem."¹ The assessment of the rise of industrial capitalism as an unprecedented revolution in economic growth is supported by much of the recent work of economic historians. This is especially the case with cliometricians—that is, historians who use sophisticated mathematical methods—although there are disputes over particular sets of statistics and the appropriate analyses.

It's interesting that Marxist historians like Eric Hobsbawm and E.P. Thompson have been reduced to a rearguard defense of the older conventional wisdom, mainly by shifting the grounds of the debate from material standards of living to the "quality of life."² You can take, for an example, the position of E.P. Thompson and his celebrated work *The Making of the English Working Class*.³ In approaching the old question of living standards—this was a standard question that was supposed to be the decisive question—living standards served as the

¹Rosenberg and Birdzell, Jr., *How the West Grew Rich*, p. 147.

²See Hobsbawm, *The Age of Capital: 1848–1875* (New York: Vintage, 1975).

³Thompson, *The Making of the English Working Class* (New York: Pantheon, 1963).

criterion of the success or disastrous failure of the Industrial Revolution. Thompson states, "It is quite possible for statistical averages and human experiences to run in opposite directions."⁴

Uh-oh, what's he up to now? He continues: "A per capita increase in quantitative factors may take place at the same time as a great qualitative disturbance in the people's way of life. . . . People may consume more goods and become less happy or less free at the same time."⁵ When you read Thompson, you find the decisive concession that he is about to make. He concedes, "Over the period 1790–1840, there was a slight improvement in average material standards."⁶ By the way, it's also suggestive that one selects the year of 1840 rather than 1850, since big changes occur in that decade. But, he says, "By 1840, most people were 'better off' . . . than their forerunners had been fifty years before, but they had suffered and continue to suffer the slight improvement as a catastrophic experience."⁷

Note there are scare quotes around "better off." The most that can be produced in regard to this last statement—that they continue to suffer this slight improvement in material standards of living as a catastrophic experience—tends to be totally anecdotal. It is safe to say that the old "immiseration thesis"—as it was called, and, as the celebrated Fabian husband-and-wife team of J.L. and Barbara Hammond put it, "the Industrial Revolution fell like a war or a plague" on the working people of England—is dead.⁸ Thus, for instance, to take an example at random, the University of Wisconsin historian Theodore Hamerow—a scholar clearly unsympathetic to the market economy—grants that there was no general immiseration in the early stages of the Industrial Revolution either in Britain or on the Continent. For the later stages, he says, "never before had there been such a substantial growth

⁴Quoted in Martin Breaugh, *The Plebian Experience: A Discontinuous History of Political Freedom*, trans. Lazer Lederhendler (New York: Columbia University Press, 2013), p. 221. Breaugh provides a full discussion on Thompson's claim that workers' admitted economic gains were offset by an alleged negative impact on the workers' "way of life."

⁵Thompson, *English Working Class*, p. 221.

⁶*Ibid.*, p. 212.

⁷*Ibid.*

⁸J.L. Hammond and Barbara Hammond, *The Skilled Labourer 1760–1832* (London: Longmans, Green, 1919), p. 4.

in the income of the labor force in such a short period of time.”⁹ Hamerow even quotes the East German Communist economic historian Kuczynski: “Even Jurgen Kuczynski . . . concedes that the income of the working class improved rapidly after the early stages of economic rationalization.”¹⁰

I want to mention one thing in particular before I forget, and that is the question of the labor of women and women in factories. Women, of course, as we all know, have never really done very much work in the history of the human race. All they did was raise the kids and take care of the house, do all the gardening for fruits and vegetables, take care of the chickens and pigs, bring the water from the well, and a number of other similarly very minor tasks. It was the men who went out and hunted for mammoths and other wild beasts and had a really great time as a kind of “guy thing,” dragging chunks of the mammoth back home as the wife kept with her trivial chores of taking care of the kids and everything else about the family and the household. The guys would sit around and say things like, “Did you see the way I killed that mammoth?”—“*You* killed the mammoth? No, *I* killed the mammoth.” And things went on like that. So, women really have not counted very much in regard to labor of the human race through history. It was really just the Industrial Revolution that drove them to labor. Before that, they used to have a lot of hobbies—macramé and ceramics, and so on, and learning enough Italian to read opera libretti, and that kind of thing.¹¹

Well, obviously that’s a big fantasy. Women—except for the higher classes and the elite—have always worked, have always worked their fingers to the bone, and within the context of the patriarchal family. What the Industrial Revolution did for the first time was allow women an independent source of income. They didn’t have to go from their father’s house immediately into the house of their husband, and then for the rest of their lives remain under the thumb of their husband regardless of how he chose to behave and conduct himself for the years

⁹Hamerow, *The Birth of a New Europe: State and Society in the Nineteenth Century* (Chapel Hill, NC: University of North Carolina Press, 1983), p. 141.

¹⁰*Ibid.*

¹¹Raico is being sarcastic here, with clear humorous effect for the audience in the original audio. He is addressing the myth that women did not “work” until the Industrial Revolution.

to come. Women could go out and work in a factory, and that was experienced as an enormous liberation by women. To take the example of America, there were the textile factories of New England, the cigarette factories of the Carolinas and Virginia, and so on. Afterwards, when the telephone came in, there were hundreds of thousands of female telephone operators. This was a liberation from the psychological cage that very often the husband-dominated family was. She was bringing in her own income, so she had a certain place in the family for that reason. Or, if it came to that, “to hell with the louse,” and she could go out and make a living on her own. We see this in third world countries as well. The factory system and the other accoutrements of industrial capitalism were a liberation for women. This explains why legislation to limit the work of women and exclude women from certain occupations, or limit the hours women could work, and so on, were pushed not by women’s groups but by the male-dominated labor unions. It was to do away with the increasing competition that women presented to male union labor.

CHANGING SCHOLARSHIP ON THE INDUSTRIAL REVOLUTION

The stage of the debate on the Industrial Revolution that has been reached is clear in this statement from a totally mainstream British historian named E.J. Evans. Evans wrote a textbook on England in this period, which was critical of the Industrial Revolution, in certain respects, on quality-of-life grounds. What Evans says is this: In judging the Industrial Revolution, “it is relevant to mention a counterfactual point,” a hypothetical point. “What would have happened to Britain’s teeming population had industrial growth not rescued it from a Malthusian poverty trap? It is difficult to see how a ‘check’ on an even more catastrophic scale than the Irish famine of 1845–47 could have been avoided, and to this not inconsiderable extent the Industrial Revolution brought the benefit of permitting a much larger population to survive and, in the long term, thrive.”¹²

Evans means “check” in the sense that Malthus used the term—that is, when the population reaches a certain level, outgrowing the means of subsistence, then nature provides certain checks. As Evans says, the Irish famine was such a check. And now, he says, hypothetically there

¹²Evans, *The Forging of the Modern State: Early Industrial Britain, 1783–1870* (New York: Routledge, 2013), p. 196.

could have been a check on the British population on an even more catastrophic level than the Irish famine. How could that have been avoided without the Industrial Revolution?

T.S. Ashton, one of the major so-called optimist historians that I mentioned before, puts it this way: If you want to see an area or territory that has undergone a population explosion without industrialization, then go to Calcutta or go to famine-torn Ireland.¹³ There were none of these terrible smokestacks, none of this terrible pollution, none of this awful dreadful industrialization, none of the Satanic mills. So, we see what happened there.

The “democratization of consumption,” a term that was used by some historians, was a key feature of the modern capitalist revolution. This has been analyzed especially by an historian named Neil McKendrick, of Cambridge University. McKendrick arranges himself solidly on the side of the optimists. He emphasizes the benefits that ordinary people derived from the Industrial Revolution and the accompanying revolution in consumption. He contrasts the new world that capitalism made with the older world of poverty. After all, what was it that these factories were producing? They were not producing silk and linen fabrics for the elite. They were producing wool and especially cotton. They were producing cheap ceramics and pottery, cheap cutlery, and cheap everything for consumption by the masses.¹⁴

Now, one crucial claim on the pessimist side was that the Industrial Revolution represented a deterioration. But precapitalist stages have been increasingly shorn of their Garden of Eden myths, Kendrick believes. This is seen in the kind of social history fostered by the Annales group of French scholars—a group of French historians connected with the journal called *Annales*. The Annales school and their trademark was to investigate deeper levels of social history, to get a sense of the fabric of life, of the people of the time rather than great historical or military political events.

One of the most famous of them was Fernand Braudel, who wrote this about France: “The poor in the towns and countryside lived in

¹³Ashton, *The Industrial Revolution 1760–1830* (New York: Oxford University Press, 1964), pp. 5–7, 110–11.

¹⁴Neil McKendrick, John Brewer, and J.H. Plumb, *The Birth of a Consumer Society: The Commercialization of Eighteenth-Century England* (Bloomington, IN: Indiana University Press, 1982), p. 98.

almost complete deprivation. . . . The average man's income was so low that even a poor man's diet absorbed 60–80 per cent of that income . . . in good times. . . . In pre-industrial Europe, the purchase of a garment, or the cloth for a garment, remained a luxury common people could only afford a few times in their lives.”¹⁵ McKendrick points out that “even the clothes of plague victims were eagerly sought by their relatives; and . . . we learn of the low expectation of life, the high infant mortality,” and the chronic sickness and very few comforts.¹⁶ That a major revisionist effort is involved in the work of McKendrick and other more recent historians is clear. Among the targets of attack are historians themselves who for generations so assiduously portrayed businessmen as exploiters and parasites. As McKendrick states, “When Napoleon dismissed England as a nation of shopkeepers, he little knew how eager English historians would be to try to live down the jibe, and to efface from the record of historical significance the efforts of those busy, inventive profit-seeking men of business” whose activities had helped bring the new world of plenty into existence.¹⁷

What I presented here is a quite different view from the one that had been instilled in all of us. I mentioned earlier the idea that the Middle Ages are simply dark ages to many, and no matter how many facts to the contrary—and obvious realities that were contrary—one brings up, it is very hard to erase that idea from the mind. Similarly, for the masses, it would be hard to imagine how much effort by the economic historians and other scholars would be necessary to get rid of the ideas so deeply embedded in their minds about the Industrial Revolution. These ideas were created by Dickens and other authors—and movies and everything else people were taught in public school—saying the Industrial Revolution was a catastrophe.

Unfortunately, I don't know whether that will ever change. In this connection, I'll mention that back in 1830, there was a debate on the Industrial Revolution—a kind of an interesting polemic between two authors. One was Robert Southey, who was the poet laureate of England at the time, and Southey wrote a book called *The Colloquies of*

¹⁵Quoted in McKendrick, Brewer, and Plumb, *The Birth of a Consumer Society*, pp. 30–31.

¹⁶Ibid., p. 31.

¹⁷Ibid., pp. 5–6.

Thomas More.¹⁸ He imagined in his book that the great statesman and saint and scholar had come back to England during the early nineteenth century and looked around. The book described how horrified the sixteenth-century man would be to see what industrialization had done. It was just something to cry over, how awful England—merry old England—had become.

Southey goes on and on about this and he's answered by a great famous historian, the classical liberal historian of the nineteenth century named Thomas Babington Macaulay. Macaulay was one of a series of British historians who presented historical accounts with an underlying classical liberal lesson and theme. He was a classical liberal. He wasn't a total libertarian, and that's fine, but he certainly believed in private property, the rule of law, civil liberties, and so on. He was the most popular historian of his time. He was a brilliant historian. He was a brilliant man. He had a photographic memory, which is pretty useful for a historian. One time, he was traveling over to Ireland and somehow his books had been left behind. The journey was going to be some hours long, so he simply sat down on a deck chair and closed his eyes and repeated Milton's *Paradise Lost* to himself.

As a child even, he showed promise. As a very young child, since he hadn't spoken very much at all, people thought that he was somewhat retarded. When he was around four years old, his aunt happened to spill tea on his foot while she was pouring tea for the family, and they were very worried about "little Tommy," and his aunt said, "How are you, how do you feel?" He said, "Madam, the pain which at first was very great, is now much abated."

Macaulay's most famous book is *The History of England*.¹⁹ *The History of England* is in a number of volumes, even for the short period of time that it deals with.²⁰ His essays, which are more manageable, range all around the place. He was a master of many, many languages. He loved literature as much as he loved history and wrote reviews on many different topics. Really, he had a masterful style, as far as I'm concerned.

¹⁸Southey, *Sir Thomas More, or, Colloquies on the Progress and Prospects of Society* (London, 1829).

¹⁹Macaulay, *The History of England from the Accession of James the Second* (London, 1889). Originally published in 1848 in five volumes.

²⁰The book covers a seventeen-year period from 1685 to 1702.

So, he decided to enter the lists against Southey on behalf of the new England—of the Industrial Revolution. If you don't get a chance to read his other essays, you might read this one. Macaulay begins by talking about Southey's background. Southey started as a Jacobin, as a supporter of the worst excesses of the French Revolution. Now, he'd become a total reactionary, not only against the Industrial Revolution but also against civil liberties, in favor of the total power of the Church of England, and on. So, Macaulay says, "Southey has passed from one extreme of political opinion to another."²¹

(By the way, when I read this, you might think to yourself of the neoconservatives, beginning as protégés of Trotsky, many of them, and winding up now as American hyperimperialists.)

Macaulay writes, "Southey has passed from one extreme of political opinion to another, as Satan in Milton went round the globe contriving constantly to 'ride with darkness.'"²² You can get the astronomical image there. So, we see, Southey has in store for him a real hatchet job. He attacks Southey for being a reactionary, but a funny kind of reactionary, because this Tory is verging on modern socialism.

Southey carries his hatred of the free market to the point of demanding total government control—better the government than these profit-seeking, greedy businessmen:

He conceives that the business of the magistrate is, not merely to see that the persons and property of the people are secure from attack, but that he ought to be a jack-of-all trades, architect, engineer, schoolmaster, merchant, theologian, a Lady Bountiful in every parish, a Paul Pry in every house, spying, eaves-dropping, relieving, admonishing, spending our money for us, and choosing our opinions for us. His principle is, if we understand it rightly, that no man can do anything so well for himself as his rulers, be they who they may, can do it for him, and that a government approaches nearer and nearer to perfection, in proportion as it interferes more and more with the habits and notions of individuals.²³

²¹Macaulay, "Southey's Colloquies on Society," in *Critical and Historical Essays Contributed to the Edinburgh Review*, 6th ed. (London, 1848), 1:226.

²²Ibid.

²³Ibid., p. 241.

You see that there's a not very fine or clear line between hyperconservatism and socialism. Indeed, in the early decades of the nineteenth century, socialists and conservatives combined against the new liberal society and capitalism.

This is an example of Macaulay's flashy style, I think: he says that Southey and his ilk think that the working people of England are so bad off—yet, “It will scarcely be maintained that the *lazzaroni* who sleep under the porticoes of Naples or the beggars who besiege the convents of Spain, are in a happier situation than the English commonality.”²⁴

Again, he's contrasting what the Industrial Revolution is doing for common working people in England with the old static society that's not able to spark economic growth in, for instance, Spain or Naples. Much along the same lines, he ends on this note: “History is full of the signs of this natural progress of society” in the absence of obstacles set up against it.²⁵ “We see in almost every part of the annals of mankind how the industry of individuals struggling up against wars, taxes, famines, conflagrations, mischievous prohibitions, and more mischievous protections, creates faster than governments can squander, and repairs whatever invaders can destroy.”²⁶

We see how, in these historical works, there's much of this that's simply history and not just the presentation of his political principles. Within these historical works of the most famous and popular historian of his time, we see embedded the classical liberal philosophy that then is imbibed and absorbed by the people who read him. He points out something that I had mentioned before. Yes, he says, things are very distressful in England. What would you expect? Thanks to the Napoleonic Wars, England has had “a war, compared with which all other wars sink into insignificance; taxation such as the most heavily taxed people of former times could not have conceived; a debt larger than all the public debts that ever existed in the world added together; the food of the people studiously rendered dear”—a reference to the Corn Laws—“the currency imprudently debased”—that is, going off the gold standard—“and then imprudently restored.”²⁷ Yet, there has been progress because of the efforts of the people.

²⁴Ibid., p. 260.

²⁵Ibid., p. 266.

²⁶Ibid.

²⁷Ibid.

With Macaulay I wanted to make you—as I did before through Cobden and Bright—to an extent, familiar with some of these actors in the history of classical liberalism.

CAPITALISM AND THE INTELLECTUALS

Now, I want to turn my attention to another topic, and that is the role of the intellectuals in society. It's what has sometimes been called the problem of the intellectuals and the marketplace.

Most of you probably are familiar with the name of Robert Nozick. Nozick became a libertarian, which was a big plus for us. He was a Harvard professor and known as a hotshot and universally admitted as one of the brightest young philosophers of his time. Throughout his brief career—he died, unfortunately, too young—he was regarded as a very important philosopher.²⁸ Nozick was a brilliant philosopher. His best-known work is *Anarchy, State, and Utopia*, which was a turning point because, for the first time, conventional academic philosophers had to deal with free market and libertarian arguments.²⁹ There's a lot of original stuff in the book. On the other hand, there's a lot of stuff in *Anarchy, State, and Utopia*—which won all kinds of prizes—that will be familiar to any one of us. However, for academic philosophers, it came as a revelation—his demolition of Marxist theory, the labor theory of value, and the idea that workers are always at the mercy of their employers, and on and on. Nozick deals with these, and philosophers were amazed, saying, “Wow, we thought it was a lot more simple than that.”

In one of his essays, Nozick writes of an experience he often had when he came to reply to criticism of laissez-faire capitalism. Bob said that after he refuted some particular charge that laissez-faire leads to monopoly—or to systematic overproduction, or to pollution, or whatever—he would answer that charge, but then the other person drops the point and quickly leaps to another. But what about child labor? What about racism? What about advertising that brainwashes people into buying things they don't need?

²⁸Raico here points readers to a 2002 short article on Nozick's turn to libertarianism: Ralph Raico, “Robert Nozick: A Historical Note,” <https://mises.org/power-market/robert-nozick-historical-note>.

²⁹Nozick, *Anarchy, State, and Utopia* (New York: Basic Books, 1974).

Bob writes that “point after point is given up. . . . What is not given up, though, is the opposition to capitalism.”³⁰ He concluded that the particular arguments are not important; the particular charges that are brought up are not important since “there is an underlying *animus* against capitalism.”³¹ I think that many of us will find this experience very familiar; that is, you answer one point and they immediately go to another point and, once that’s answered, to another point. Why? Well, because, as Bob says, there’s an *animus* against capitalism. This is relevant to the question of the intellectuals in the marketplace because the people that Bob is talking about—the people he habitually would come into contact with—would be other intellectuals.

Another example of this is given by Ronald Coase, Nobel laureate in economics. He relates an incident highly revealing of the state of mind of opinion molders in America. It concerns the natural gas shortage of the 1960s. An economist at the University of Chicago, Edmund Kitch, had written a study demonstrating the part that shortsighted federal regulation played in the shortage of natural gas. He was presenting his findings in a public lecture in Washington in 1971. This is what Coase wrote about it:

Much of the audience consisted of Washington journalists, members of the staff and Congressional committees and others with similar jobs. They displayed little interest in the findings of the study, but a great deal of interest in discovering who had financed the study. Many seem to have been convinced that the Law and Economic Program at the University of Chicago had been bought by the gas industry. A large part of the audience seemed to live in a simple world in which anyone who thought prices should rise under certain circumstances, was pro-industry and anyone who wanted prices to be reduced was pro-consumer. I could have explained that the essential of Kitch’s argument had been put forward earlier by Adam Smith, but most of the audience would have assumed that Adam Smith was someone else in the pay of the American Gas Association.³²

³⁰Nozick, “Why Do Intellectuals Oppose Capitalism?,” in *The Future of Private Enterprise*, ed. Craig Aronoff and John L. Ward (Atlanta, GA: Georgia State University Business Press, 1986), p. 134.

³¹*Ibid.*

³²Coase, “Economists and Public Policy,” in Daniel B. Klein, ed., *What Do Economists Contribute?* (London: Palgrave Macmillan, 1999), p. 36.

In this episode we see a microcosm of the world habitually inhabited by antimarket intellectuals. Continued flourishing of this class remains an enduring puzzle and problem with classical liberals and libertarians.

Now, I don't propose to solve this problem and give you the ultimate solution this afternoon, but I will suggest the various theories that have been put forward and try to sift them for the ones that seem to be most plausible.

At the 1951 meeting of the Mont Pelerin Society at Beauvallon, a distinguished panel of scholars discussed the treatment of capitalism by the historians. The papers and some others were later published in that book that I mentioned to you edited by Hayek.³³ In one paper, Bertrand de Jouvenel, a distinguished French political philosopher, described one of the most striking characteristics of modern intellectuals: their animosity towards the marketplace.³⁴ Why should this be? The reason cannot lie, de Jouvenel argued, in the puritanical disdain for social arrangements that satisfied the hedonistic demand of selfish individuals. After all, modern welfare democracy is also such an arrangement and is not subject to the antagonism of the intellectuals. De Jouvenel claimed, somewhat surprisingly, that the intellectual's hostility to the businessman presents no mystery, as the two have by function wholly different standards. The businessman's motto is, "the customer is always right," and the intellectual's task is to preserve the highest standards of his field, even against the weight of popular opinion. But I don't find this very convincing. For instance, in democratic welfare states, politicians and bureaucrats also are supposed to serve the public rather than to struggle to preserve standards of excellence. Yet the intellectual's enemy is not typically directed against democracy, the welfare state, or its leaders and functionaries.

Twenty-one years later, in 1972, there was another panel on the intellectuals in the marketplace. The Mont Pelerin Society kept dealing with the question again and again for obvious reasons and R.M. Hartwell, the historian of the Industrial Revolution, spoke on "History

³³Hayek, ed., *Capitalism and the Historians* (Chicago: University of Chicago Press, 1963).

³⁴See de Jouvenel, "The Treatment of Capitalism by Continental Intellectuals," in Hayek, ed., *Capitalism and the Historians*.

and Ideology.”³⁵ Hartwell had occasion to remark on the widely held aversion to the economic and political system which provided the institutional framework for modern economic growth. As a historian, he naturally stressed the crucial role of historical myths, concocted and circulated by academic historians in nursing this version. Hartwell’s lecture is particularly noteworthy for drawing attention to the systematic character of the anticapitalist onslaught as experienced by the typical educated citizen of a Western democracy. Consider whether this at all reflects your own educational experience. He notes, history “is only one element in a battery of self-reinforcing prejudice” against private property and the market economy. In literature, economics, philosophies, sociology, and other subjects, the student is continually subjected to data and interpretations that converge on a single point: the viciousness of private enterprise and the virtuousness of state intervention and state-supported labor unionism. Hartwell observed, “What schools and universities propagate in formal education, many other institutions reinforce”—particularly the churches, creative arts, the mass media.

Some years later, I presented a paper on the same topic at the Mont Pelerin Society, and I noted to them the fact that we were coming back to the same old topic, the same old question. That doesn’t argue for the futility of doing so, but shows, rather, the central importance of the question. Most of the people there had lived long enough to understand the truth of Joseph Schumpeter’s assertion that “capitalism stands its trial before judges who have the sentence of death in their pockets.”³⁶ The only thing that changes, Schumpeter wrote, are the particulars.³⁷ The ever-changing indictment is presented over and over and over again by the intellectuals.

Schumpeter notes that in earlier times, intellectuals indicted capitalism for the immiseration of the proletariat, inevitable depressions, and the disappearance of the middle classes. A little later, the indictment extended to imperialism and the inevitable wars among the imperialists or so-called capitalist powers.

³⁵See Hartwell, *History and Ideology* (Menlo Park, CA: Institute for Humane Studies, 1973).

³⁶Schumpeter, *Capitalism, Socialism, and Democracy* (New York: Harper, 1950), p. 144.

³⁷In an aside, Raico refers to Schumpeter as “a fine and valuable thinker.”

In more recent decades, the indictment again changed as earlier accusations became too blatantly untenable. Capitalism was charged with being unable to compete with socialist societies and technological projects. Believe it or not, that was the rage as I entered grad school around 1960. There had just been Sputnik. Statistics showed that in the Soviet Union, they were producing three or four times as many engineers a year as we were, and also the capital investment was just enormous. Nobody cared whether the capital was going to be used efficiently or not. But the inputs were enormous. So, it was inevitable that they were going to, as Khrushchev said, catch up with us and easily surpass us.³⁸ So, we were told capitalism could not compete with socialism. Capitalism was accused of promoting automation, leading to catastrophic permanent unemployment in the 1960s. Capitalism was accused of both creating the consumer society in its piggish affluence and of proving incapable of extending such piggishness to the underclass. Capitalism was charged with neocolonialism, with oppressing women, racial minorities, and even sexual minorities. Capitalism was charged with spawning a meretricious popular culture and now, as we know, with destroying the earth itself.

George Stigler, a famous University of Chicago professor, who was no ideologue or fanatic in any sense, remarked about his time, “A constant stream of new criticism—such as the problem of homeless families—is being invented, discovered, and heavily advertised.”³⁹ These are a presentation of the state of affairs, of the facts. Could there be any doubt about this?

But the question remains, What is at the root of this ever-changing, never-ending indictment? What accounts for the intellectual unremitting hostility to the market economy? Well, people on our side have tried to give a number of answers to this question. Hayek was acutely concerned with our problem, since he too was firmly convinced of the importance of the intellectuals.

³⁸The phrase “Catch up and overtake America,” reflecting a concept pushed by Soviet premier Nikia Khrushchev, became a slogan for Soviets who were sure that socialist economies were becoming more productive than market economies.

³⁹Quoted in Ralph Raico, *Classical Liberalism and the Austrian School* (Auburn, AL: Ludwig von Mises Institute, 2012), p. 116, <https://mises.org/library/book/classical-liberalism-and-austrian-school>.

However, Hayek's view of the intellectuals is flatteringly benign. Their ideas, he says, are determined, by and large, by honest convictions and good intentions. He has an essay called "The Intellectuals and Socialism," one of his famous essays and worth reading.⁴⁰ He does mention, in passing, the intellectual's egalitarian bias; however, his analysis is basically in terms of their scientism. I don't know if Hayek invented this term. I have a feeling he did. In any case, he certainly used it, and it means the inappropriate application of the methods of natural science to social-scientific affairs. So, he thinks that the intellectuals are basically against the market economy because they had this scientistic prejudice. Actually, he talks about scientism in one of his books, that I consider one of his best books, called *The Counter-revolution of Science*, an older book of his.⁴¹

In Hayek's view, the chief influence on the intellectuals has been the example of the natural sciences and their applications. Basically, his idea is this: as man has come to understand and control the forces of nature, intellectuals have grown infatuated with the idea that an analogous mastery of social forces could produce similar benefits to mankind. Intellectuals are under the sway of such beliefs—that "deliberate control of conscious organization is also in social affairs always superior to the results of spontaneous processes which are not directed by a human mind."⁴² Hayek even makes the following astonishing statement: "That, with the application of engineering techniques, the direction of all forms of human activity according to a single coherent plan, should prove to be as successful in society as it has been in innumerable engineering tasks is too plausible a conclusion not to seduce most of those who are elated by the achievements of natural science. It must indeed be admitted both that it would require powerful arguments to counter the strong presumption in favor of such a conclusion and that these arguments have not been adequately stated."⁴³

Hayek is saying that it's natural to have such a strong presumption in favor of a conscious overall planning of society by a few people

⁴⁰Hayek, "The Intellectuals and Socialism," *University of Chicago Law Review* 16, no. 3 (Spring 1949): 417–33, <https://doi.org/10.2307/1597903>.

⁴¹Hayek, *The Counter-revolution of Science: Studies on the Abuse of Reason* (Glencoe, IL: Free Press, 1952).

⁴²Hayek, "The Intellectuals and Socialism," p. 426.

⁴³*Ibid.*

according to scientific principles. Hayek continues and says the scientific argument “will not lose its force until it has been conclusively shown why what has proved so imminently successful in producing advances in so many fields, should have limits to its usefulness and become positively harmful if extended beyond those limits.”⁴⁴

I hope you’re able to follow that, in general. For me, it is exceedingly difficult to understand Hayek’s reasoning here. He appears to be saying that because the natural sciences have made great advances, and because innumerable particular engineering projects have succeeded, it is quite understandable that many intellectuals should conclude that the direction of all forms of human activity, according to a single plan, will be similarly successful. In the first place, the advances of the natural sciences were not brought about in accordance with an overall central plan. They were rather the product of many separate decentralized but coordinated researchers, coordinated through informal mechanisms. These efforts were produced analogously, in some respects, to the market process, but there wasn’t any central planning in connection with the successes of science to begin with, which is Hayek’s premise. Second, from the fact that many particular engineering projects have succeeded, it does not follow that a single vast engineering project, one subsuming or particular project, is likely to succeed. Nor does it seem likely that most people would find such a claim plausible.

Why, then, is it natural or logical or easily comprehensible that intellectuals should reason from the triumphs of decentralized scientific research, and of individual engineering projects, to the success of a plan by a supreme authority undertaking to direct all forms of human activity?

Joseph Schumpeter reviewed Hayek’s book *The Road to Serfdom* when it came out, and I think it’s appropriate here to cite Schumpeter. He remarked that “Hayek was polite to a fault” towards his opponents in that he hardly ever attributed to them “anything beyond intellectual error.”⁴⁵ But, Schumpeter declares, “not all the points that must be made can be made without speaking more plainly.”⁴⁶ Schumpeter

⁴⁴Ibid.

⁴⁵Schumpeter, review of *The Road to Serfdom*, by Friedrich A. Hayek, *Journal of Political Economy* 54, no. 3 (June 1946): 269, <https://www.jstor.org/stable/1825091>.

⁴⁶Ibid.

here implies an important distinction. Civility in debate, including the formal presumption of good faith on the part of one's adversaries, is always in order. That's always called for. But there's also a place for the attempt to *explain* the attitudes, for instance, of antimarket intellectuals. In this endeavor, it may be suggested, "politeness" is not precisely what is most called for. As regards to positivist intellectuals who argued from the successes of natural science to the need for central planning, it may well be that this false inference was no simple intellectual error, but it was facilitated by their prejudices and resentments and perhaps their own will to power. (Another term for scientism would be positivism, not in the strict philosophical sense of logical positivism but in a sense I'll explain in an upcoming lecture where I discuss the Saint-Simonians.)

In any case, Hayek, as I told you before, was the head of my dissertation committee and a perfect gentleman. Maybe when he talked about these issues and these problems, he was *too much* of a gentleman. For example, he dedicated *The Road to Serfdom* to "socialists of all parties." That would be like Ayn Rand dedicating *Atlas Shrugged* to "thugs of all descriptions." It really strikes me as a little off, and to tell you truthfully, I've never heard of anybody ever convinced by Hayek's arguments. I know that some people—some socialists, Trotskyists, for instance—were convinced by Mises's arguments. Mises was very hard-hitting and not too polite in his attitude towards his opponents. Well, that's the way Hayek was. But that isn't a reason to make statements that are very strange.

This is what he says about intellectuals: "Orthodoxy of any kind, any pretense that a system of ideas is final and must be unquestionably accepted as a whole, is the one view which of necessity antagonizes all intellectuals, whatever their views on particular issues."⁴⁷ This is an amazing statement. This is a statement Hayek makes about a category of persons that in the twentieth century was notorious for including thousands upon thousands of prominent intellectuals and apologists for Soviet communism in all countries. Yet Hayek claims that they opposed any form of orthodoxy, that they had to be convinced in a perfectly logical way.

⁴⁷Hayek, *Studies in Philosophy, Politics, and Economics* (Chicago: University of Chicago Press, 1967), p. 193.

This, it seems to me, is indeed politeness to a fault. Hayek seemed to think that all intellectuals were sort of like Bertrand Russell or somewhat like himself. Yet there were tens of thousands of intellectuals who supported Stalinism. There were thousands of intellectuals who supported fascism and National Socialism. A man who was one of the great American poets of the twentieth century, Ezra Pound, happened to be in Italy during the war. He delivered radio broadcasts on behalf of Mussolini, and he considered himself a friend and a supporter of Mussolini. And there would be many other examples of something like that. So, what Hayek is talking about, I don't know. I think that treating intellectuals with kid gloves is *not* the way to go.

Well, now we come to Schumpeter and his own theory of the intellectual proletariat. In chiding Hayek, as I quoted above, Schumpeter suggested that he might have learned a useful lesson from Marx. Now, what this involves is this: Schumpeter had a lifelong engagement with Marxism, mainly as a critic, but he had some similarities with Marx as well. Like Marx, he offered a highly pessimistic prognosis for the capitalist system, although for different reasons. While Schumpeter holds that the intellectuals will play a key role in capitalism's demise, he in no way relies on the scenario set forth in *The Communist Manifesto*.

In the Marxist scenario, as announced by Marx and Engels, as the final revolution approaches, a section of the bourgeois ideologists will go over to the side of the proletariat. These will be the ideologists, as they say, who have worked their way up to a theoretical understanding of the historical movement as a whole. Note this is not that the people are going to go over from the middle class, where they were born, to the communist movement. It's not because they understand that communism is just or that it will bring about a better society. It is that they *understand the theoretical movement*. See what's involved there? That's a kind of Hegelianism. They understand how history is inevitably evolving. To be on the other side, to go against the current of history is to be absurd, like somebody trying to fly by jumping off a building and waving his arms. When they see the trend of historical movement, on penalty of being absurd and insane, they support the proletarian cause. But this is not out of any idea that communism is more just or superior.

This above scenario is what Marx and Engels would claim will happen in their laughably self-serving description. But that would not appeal to a skeptic like Schumpeter. Instead, Schumpeter's "Marxism," if you want to call it that, consisted in examining capitalism as a system with certain necessarily attendant sociological traits and exposing

the class interests of the intellectuals within that system. Schumpeter says, compared to previous social orders, capitalism is especially vulnerable to attack: “Unlike any other type of society, capitalism inevitably and by virtue of the very logic of its civilization creates, educates, and subsidizes a vested interest in social unrest.”⁴⁸

In particular, capitalism brings forth and nurtures a class of secular intellectuals. This is not the sort of intellectuals who existed in most other societies connected with religion. These are secular intellectuals who wield a power of the spoken and the written word. The capitalist wealth machine makes possible cheap books, pamphlets, newspapers—or, today, radio, television, and the internet—for the ever-widening public that reads them and subsidizes education and literacy.

The freedom of speech and of the press enshrined in liberal constitutions—that is, capitalist freedoms—entails also, in Schumpeter’s words, “freedom to nibble at the foundations of capitalist society.”⁴⁹ This is analysis contained in a few pages of his famous book *Capitalism, Socialism, and Democracy*. Within a liberal order, there is this constant gnawing away that is promoted by the critical rationalism inherent in capitalist society. Moreover, when we contrast earlier regimes, the capitalist state finds it difficult to suppress dissident intellectuals. Such a procedure would conflict with a general principle of the rule of law and the limits to the police power that are dear to the bourgeoisie itself.

The key to the hostility of intellectuals to capitalism, in Schumpeter’s view, is the expansion of education, particularly higher education. This creates in capitalist countries—and we’ve seen this in developing countries also—a situation in which an enormous portion of the youth of the country go on not only through high school but now through college and university as well. The aim of the British Labour government is to get every young person into college or university, and that has been more than halfway reached in the United States.

One of the results of that, of course, is the dumbing down of higher education. You can’t have the whole young population in colleges and universities and expect colleges and universities to be the same thing that they’ve been before.

⁴⁸Schumpeter, *Capitalism, Socialism, and Democracy*, p. 146.

⁴⁹*Ibid.*, p. 151.

In many cases, there's this enormous increase in students attending higher education institutions. This creates unemployment or underemployment among the university-schooled classes of people. Many of them become psychically unemployable in manual occupations without necessarily acquiring employability in, say, professional work; that is, it is beneath them now to work as auto mechanics or in pizza parlors, and they're not really very good as lawyers, although that's what they're going to try to get into. Many of them will get into teaching in the public schools, and a large proportion of my own students are future public school teachers and high school teachers also. And, just as the worst people in med school, according to their grades, and so on, become psychiatrists, the worst people in colleges, according to their grades, and so on, become teachers. And this is not to say that there are not good teachers, obviously, but we're talking in terms of averages.

The point is, as Schumpeter indicates, that they just feel that they're too good to do the sort of thing which in previous generations, people in their position would have done. The tenuous social position of these intellectuals breeds discontent and resentment, which are often rationalized as objective social criticism.

This is what Schumpeter writes. This emotional malaise "will much more realistically account for hostility to the capitalist order than could the theory—itself a rationalization in the psychological sense—according to which the intellectual righteous indignation about the wrongs of capitalism, simply represents a logical inference from outrageous facts."⁵⁰

Remember, Nozick and Stigler talked about this underlying animus, regardless of what particular accusations are raised and answered. Schumpeter says to ignore those. Content yourself with the good answers that you've given to those accusations, and then look to see what's behind them. Why this constant production of attacks on capitalism? A major merit of Schumpeter's argument is that it elucidates an abiding feature of the sociology of radicalism and revolution: the hunt for government jobs, which I talk about in connection with the industrialist school and their analysis. The interconnection between overeducation, a widening reservoir of unemployable intellectuals, the

⁵⁰Ibid., p. 153.

pressure for bureaucratic positions, and political turmoil was a commonplace among European observers of the nineteenth century.⁵¹

Later revolutionary movements, whether of the Right or the Left, can be understood, to a large extent, as the ideologically camouflaged raid on the great state employment agency. This would be the case in the nineteenth century.

From this perspective, we obtain a deeper understanding of the claim that the welfare state saved capitalism. Maybe you've heard that, but what the welfare state has actually accomplished is to furnish a never-ending source of state jobs that are mainly middle-class products of what is still referred to as a university education, without, as in the nineteenth century, requiring a revolutionary assault. There are the jobs in the EPA and endless social work of one kind or another and all the other aspects of the welfare state. Well, these are jobs now, and those who are university educated but can't find jobs in the private sector now have a source of income.

While there's doubtless a good deal of truth in Schumpeter's identification of the systemic surplus of intellectuals as a source of anti-capitalism, it also presents certain difficulties, the most important of which is this: it is not so much the *unemployed* intellectuals who are the problem but the ones who *are* employed. Intellectuals unable to find suitable jobs may well provide a receptive subculture—let's say, in Greenwich Village—as well as occasional cannon fodder for revolutionary movements among communist anarchists in the late nineteenth century and some third world countries today. In Germany, after the First World War, artists and writers frozen out of the avant-garde culture of Weimar were prominent among the early National Socialists.

But Schumpeter's thesis does not hold for many other cases, probably the historically most significant ones. Émile Zola and Anatole France, Gerhard Huffman and Berthold Brecht, H.G. Wells and Bernard Shaw, John Dewey and Upton Sinclair were scarcely unemployable in the intellectual world. Today, there are the stars of the mass news media in all advanced countries, and one could mention newspersons in America who earn two million dollars a year or more—such being the savage inequalities of capitalism. These people are typically nibblers at the system of private enterprise. Just listen to the tone

⁵¹Raico discusses this in more detail in his essay "Intellectuals and the Marketplace," in Raico, *Classical Liberalism and the Austrian School*, pp. 123–24.

of their voice when they have to deal with issues of this kind. Note the news stories that they emphasize and put at the top about big business and its terrible misdeeds. This goes on day after day, hour after hour, year after year, and the question is rather why so many successful and highly influential intellectuals become carping critics of the free economy.

Well, let's turn our attention to Ludwig von Mises. If Schumpeter declined to be polite to a fault when it came to antimarket intellectuals, what are we going to say about Hayek's mentor, Ludwig von Mises? Mises frequently probed the basis of the anticapitalistic mentality. He has a book by that title.⁵² That's not his best. Often, he emphasizes invidious personal motivation, resentment, and bitter envy as sources of this mentality. He also notes the replacement of the society of status—the older society of status—by a society of contract. A society of status is where whatever you did in life was pretty much determined by the position you were born into. A society of contract is one in which whatever you do in life is to a very large extent dependent on your own efforts. The replacement of one society by another aggravated feelings of failure and inferiority among those who did not succeed. With a quality of opportunity in all careers open to talent, lack of financial success became a judgment upon the individual. This is a burden that some attempt to shift by scapegoating the social system. Intellectuals, according to Mises, share this weakness perhaps in an accentuated form. On occasion, Mises goes so far as to trace the psychological roots of antiliberalism to a mental pathology. The scapegoating of the social system by those unable to cope with the reality of their relative failure in life, as Mises claims, is a mental disorder which psychiatry has so far neglected to classify. Engaging in a bit of volunteer psychiatric nosology himself, he ventures to label this condition the “Fourier complex,” after the early French socialist Charles Fourier. Psychiatrists, as far as I'm aware of, have not been eager to accept Mises's volunteer work.

Although Mises's focus on envy and resentment is the best known of his attempts to explain this anticapitalist mentality, I submit that there is a second and different approach of his that may be more fruitful.

⁵²Mises, *The Anti-capitalistic Mentality* (Auburn, AL: Ludwig von Mises Institute, 2008), <https://mises.org/library/book/anti-capitalistic-mentality>. Originally published in 1956.

In an early essay entitled “The Psychological Roots of the Resistance to Economics,” Mises launches a radical attack on the strand of traditional Western morality that has stigmatized money making.⁵³ Citing a famous work by the Roman Cicero as an exemplary text, Mises identifies the contempt for moneymaking as deeply ingrained in Western culture.⁵⁴ This, he says, is the source of the hostility against capitalists, against trade, and against speculation, which he thinks dominates our whole public life, politics, and the written word. This contempt, nurtured and sustained through the centuries and the change of regimes, is the natural outgrowth of class morality.

Mises, as you can imagine, given his views, is very distressed by this contempt for moneymaking—for commerce, for merchants, and for businesspeople—that permeated our civilization and our culture. This is one reason that he had such enormous respect for Ayn Rand’s *Atlas Shrugged* when it was published. Now, this cluster of values, he said, is the natural outgrowth of a particular class morality, specifically the morality of the classes that are sheltered from the market by the circumstance that they live from taxes. They don’t have to worry about the market. They don’t have to care about speculation or making a profit. In our own day, it is a morality generated, as he says, by priests, bureaucrats, professors, and army officers, who look with loathing and scorn on entrepreneurs, capitalists, and speculators. Insight into the prevalence of this antimarket ethic helps explain, as Mises’s other envy-based approach does not, the antimarket attitudes often found among the economically successful, even in the private sector. Mises says, “No one escapes the power of the dominant ideology.”⁵⁵ Thus, “entrepreneurs

⁵³See Mises, “Die psychologischen Wurzeln des Widerstandes gegen die nationalökonomische Theorie,” in *Grundprobleme der Nationalökonomie* (Jena: Gustav Fischer, 1933), pp. 170–88. Raico appears to rely on the original German for his citations. Available online: https://www.mises.ch/library/Mises_Grundprobleme.pdf. The essay is also available in English: Mises, “The Psychological Basis of the Opposition to Economic Theory,” in *Epistemological Problems of Economics*, trans. George Reisman, 3rd ed. (Auburn, AL: Ludwig von Mises Institute, 2003), pp. 195–216, <https://mises.org/library/book/epistemological-problems-economics>.

⁵⁴See Marcus Tullius Cicero, *On Duties*, ed. M.T. Griffin and E.M. Atkins (Cambridge: Cambridge University Press, 1991).

⁵⁵Mises, “Die psychologischen Wurzeln des Widerstandes gegen die nationalökonomische Theorie,” p. 184.

and capitalists themselves are swayed by the moral outlook that damns their activity.” It’s not a rare occurrence that even successful businessmen who made the money—but very especially his sons and daughters—turn against the capitalist system. This is, as Mises explains, “because of the dominant ideology that they are exposed to. They suffer from a bad conscience and feelings of inferiority.”⁵⁶ As Mises says, “it shows itself, among other things, in the support given to socialist movements by millionaires and their sons and daughters.”⁵⁷

⁵⁶Ibid.

⁵⁷Ibid.

Lecture 7

The Anticapitalists

I now want to mention a book by German American sociologist Helmut Schoeck in regard to the question of why intellectuals tend to be opponents of the marketplace. Schoeck wrote an important book that is titled, simply, *Envy*.¹ Schoeck was a very smart man, very widely read and learned, a sociologist and anthropologist. He was not an economist, although he was familiar with economics. The book begins by saying that it's a very funny thing, it is as clear as anything can be, that envy is a universal human motivation. You find it in every culture. However, there's very little in the sociological literature of the West on the question of envy. Why? Because if it is as universal as it seems to be, and as deep-seated as it appears to be, then it stands in the way of that beautiful, perfectly harmonious utopian society that the left-wingers and the socialists wish to bring into existence.

THE PROBLEM OF ENVY

In connection with envy, he uses social psychology, history, anthropology, and sociology. This is basically what his theory is: Human beings are by nature prone to envy, which springs from a primitive conception of causality that interprets the good fortune of others as having been achieved at the cost to oneself—for instance, in economic and financial matters. People are equally subject, however, to an aligned

¹Schoeck, *Envy: A Theory of Social Behavior* (New York: Harcourt, Brace and World, 1970).

feeling—a kind of reaction to this—to “a universal fear of one’s neighbor’s envy and the envy of the gods and spirits.”²

There is also fear of the envy of others in regard to the “evil eye.” The evil eye is a concept that is found all over the world, certainly among the Mediterranean peoples, the Italians, the Greeks, the Arabs, and even in Northern Europe, throughout Africa, throughout South America, and in the Far East. The evil eye is a malediction directed at you by somebody who envies something you have. Folklore of all peoples are filled with stories about the evil eye being wielded by envious people against somewhat more prosperous neighbors. The wish is that the neighbor’s cow doesn’t give milk anymore or his wife is not fertile. For anything that someone else has, there are people who envy them for it and wish to deprive them of it. So, there is this envy, and it gives rise to a “primitive, pre-religious, irrational sense of guilt.”³

With these behavior patterns that aim at avoiding the envy of others, in various societies varying means have evolved to cope with this sense of guilt and to ward off the retribution of the envious. A characteristic of Western society—that is, *capitalist* society—is that envy has been suppressed much more than it has in any other society in history. The result is that although people are envious, they tend to be somewhat ashamed of their envy and try to hide it. This is Schoeck’s theory: With intellectuals in capitalist society, envy avoidance, trying to avoid the envy of others, manifests itself in support for egalitarian causes. The diffuse dread of the envy of others, Schoeck finds, is “the root of that general, aimless sense of guilt which, during the past hundred years”—now 150 years—“has exercised so disrupting and disorienting an influence. The pangs of guilt (social conscience), and the naïve assumption that there could ever be a form of society that was either classless or otherwise non-provocative of envy, have been responsible for the adherence to leftist movements of large numbers of middle and upper-class people.”⁴ In adhering to movements that preach social and economic equality, they assuage their guilt and anxiety, for now they can feel that they’re helping to set up a society in which no one is envious.⁵

²Ibid., p. 257.

³Ibid.

⁴Ibid., p. 280.

⁵Ibid., p. 292.

Schoeck's theory has the advantage of accounting also for the peculiar self-righteous idealism often displayed by leftist intellectuals, especially among the young. He says,

Sensitivity to the envy of others is so deep-rooted in the human psyche that most people erroneously interpret the sense of redemption and peace, which they feel when they have made concessions to envy, as confirmation not only of their moral superiority, but also of the expedience of their action in the reality of the here and now.⁶

We may add that the blessed release experienced by those who have, they feel, placed themselves safely beyond the envy of the resentfully dispossessed often turns to fury when they are faced with those of their class brethren who have casually spurned the psychological capitulation.

DO INTELLECTUALS MATTER?

We've talked about theories that try to account for the anticapitalism of intellectuals, but is it really so important what intellectuals think? The authors so far considered have agreed, at least, in assigning a great deal of weight, in the ultimate determination of political events, to intellectuals and the ideologies they generate. But the political relevance of the intellectuals has been challenged by another group of classical liberal scholars that would include today Gary Becker but most particularly George Stigler, whom I've mentioned before.

Stigler, with Milton Friedman, was the head of the Chicago school in its heyday. Stigler was aware that despite the many benefits they reap from the capitalist system, intellectuals have by and large been its implacable critics in all the sectors they dominate. In Stigler's view, claims regarding the decisive influence of intellectuals, however, are unscientific, since the claims have never been quantified and subjected to empirical testing.⁷ This is a typical Chicago school positivist approach. In fact, he says, there is a total lack of any theory of how ideologies originate and change. Stigler proposes to attack the problem with the conventional analytical methods of neoclassical economics. Hypotheses are to be

⁶Ibid., p. 304.

⁷Stigler, *The Economist as Preacher and Other Essays* (Chicago: University of Chicago Press, 1982), p. 35.

formulated in quantifiable terms and tested against the data. A central implication of economic theory, he says, “is that man is eternally a utility maximizer, in his home, in his office—be it public or private—in the Church, in the scientific work, in short, everywhere.”⁸ Just as they act on the market to maximize the personal utility, “so individuals consistently behave in a utility-increasing manner with respect to the use of the state”⁹—that is, these individuals are supporting measures that in the aggregate constitute the historical expansion of state power. Stigler, therefore, recognizes the *existence* of ideology. The question is, Does ideology really have much of an impact on individual decisions, or are those more or less determined by the individual’s perception of his own self-interest and utility maximization? Very sensibly, Stigler warns against defining utility in such a way as to make the hypotheses tautological, conceding that “there is no accepted content to the utility function.”¹⁰ He proposes one—namely, that a person’s utility “depends upon the welfare of the actor, his family, plus a narrow circle of associates.”¹¹

How far this advances the argument, however, is unclear. After all, a person’s adherence to a given ideology is usually conditioned by his belief that it will in some sense promote his welfare and that of his family and close associates. So, that reliance on utility functions does not automatically obviate the need to reckon with the impact of ideology. In fact, with Stigler, utility appears, for all practical purposes, to mean maximization of income.¹² This is sensible, from his point of view, since employing another value—for instance, maximization of *power*—would seem to create insuperable difficulties for formalizing and empirically testing in Stiglerian terms. Stigler further holds that the desire of intellectuals to maximize their incomes—sometimes, he says *income* includes prestige and apparent influence—explains the distribution along the political spectrum.

⁸Ibid.

⁹Quoted in Ralph Raico, *Classical Liberalism and the Austrian School* (Auburn, AL: Mises institute, 2012), p. 131, <https://mises.org/library/book/classical-liberalism-and-austrian-school>.

¹⁰Stigler, *Economist as Preacher*, p. 26.

¹¹Ibid., p. 36.

¹²See Stigler, “The Adoption of Marginal Utility Theory,” *History of Political Economy* 4, no. 2 (1972): 571–86, <https://doi.org/10.1215/00182702-4-2-571>.

He refers to Schumpeter as having partially accepted this position, but that is incorrect. Schumpeter's description of economic motives to the intellectuals is a very different one from Stigler's. As we have noted, Schumpeter held that economic factors—e.g., overproduction of university-trained individuals and their underemployment—tend to create a mindset among intellectuals which is apt to generate anti-capitalistic ideologies that, in turn, spread throughout society. Stigler seems to maintain that economic factors operate upon intellectuals directly and immediately.

Stigler, who was in my understanding a very great scholar, sometimes says things which are very hard to believe. (That could also be said for Milton Friedman, by the way, especially in regard to his remarks on Austrian economics.) Stigler sometimes combined his deprecatory estimation of the influence of intellectuals with a similarly low evaluation of the influence of individual human beings altogether, including political leaders.

As a general explanation of political change, Stigler's own hypothesis is as follows: We live in a world of reasonably well-informed people acting intelligently in pursuit of their self-interest. In this world, leaders play only a modest role, acting much more as agents than as instructors or guides of the classes they appear to lead.

This view illustrates why there are very few economists, I think, who can be trusted when they discuss historical matters.¹³ Here, Stigler really gets himself into trouble. He says, as a rule, the effect of prominent leaders on history is "almost infinitesimal."¹⁴ It is safe to say that this assessment would find little agreement among students of the careers of Mohammed, Napoleon, Bismarck, Hitler, Lenin, and Stalin. Those individuals made quite a difference.

WHY IDEOLOGY MATTERS: THE CASE OF THE SOVIET UNION

We can take as a case study of the impact of ideology the Soviet Union itself. Authors who minimize the impact of ideology in politics

¹³Raico contends there are exceptions to this, such as economists Robert Higgs, Murray Rothbard, and Ludwig von Mises.

¹⁴Stigler, "The Intellectual and His Society," in Richard T. Selden, ed., *Capitalism and Freedom: Problems and Prospects* (Charlottesville, VA: University Press of Virginia, 1975), p. 319.

would seem to have a very hard time accounting for the rise, duration, and final demise of communism in Russia. It is difficult to imagine what could explain crucial episodes in the history of Soviet communism if ideology is relegated to a subordinate position. Such episodes include Lenin's own revolutionary career, the formation of the Bolshevik Party, the coup d'état of October 1917, the institution of war communism—as it was called—victory in the civil war for the Bolsheviks, and the fanatical dedication of the cadres who carried out the collectivization and the terror famine.

It's very difficult to believe how those could possibly be explained without bringing in the major role of ideology. In a major study, Martin Malia—I'll be talking about him when I discuss Soviet communism; he is now professor emeritus from Berkeley—wrote a book called *The Soviet Tragedy: A History of Socialism in Russia, 1917–1991*.¹⁵ Malia asserts that “the key to understanding the Soviet phenomenon is ideology”—specifically, Marxism-Leninism.¹⁶ He traces the story back to mid-nineteenth-century Russia. It's a great book, with a lot of important information there. In Russia, civil society was weak—I mentioned that in discussing the European miracle—and the state was strong. Russia proved to be fertile ground for the spread of socialist ideas very early on. Liberal social theory—the ideas of Locke, Hume, Adam Smith, Turgot, Madison, and others—never really struck root in Russia. By the time an intelligentsia sprang up in Russia, European intellectuals, from whom the Russians derived most of their political ideas, had made capitalism into an object of horror. The chaos following the fall of its tsar and the demoralization caused by the First World War permitted Lenin and his highly disciplined, ideologically driven Bolsheviks to effect their coup d'état.

I say “coup d'état,” by the way, since modern research has shown that there was no October Revolution. There was in fact a coup d'état in Petrograd, and then in Moscow and other cities, that brought the Bolsheviks to power. The Bolsheviks at once set about to realize the Marxist dream—to construct a free and prosperous society by abolishing private property in the market. That task, Malia maintains, was inherently impossible. Malia cites the Austrian school, by the way—particularly,

¹⁵Malia, *The Soviet Tragedy: A History of Socialism in Russia, 1917–1991* (New York: Free Press, 1994). In the original lecture, Raico misspeaks and states the book's title is *The Socialist Idea*.

¹⁶*Ibid.*, p. 16.

Mises and Hayek—and Malia was somebody who realized that Mises and Hayek had something to say about central economic planning. Malia calls the idea of trying to plan society in the way that the Bolsheviks intended—and that Marx intended—as inherently impossible. He calls it an assault on reality. From the start, the Soviet Union was, he says, “a world-historical fraud.”¹⁷ The land that was supposedly in the vanguard of progressive humanity was in truth an arena of endless oppression, mass poverty, and boundless despair. Suppressing this reality and generating and propping up a pseudoreality became the job of the legions of state intellectuals at home and abroad. This included the fellow traveling intellectuals in every Western country.

Similarly, the collapse of the Soviet regime can only be understood as a case study in the operation of ideology in this sense—of the end of a particular ideology’s sway. The subversion of the Leninist faith began after Stalin’s death. It was the intellectual and cultural thaw introduced by Khrushchev. In the 1960s, a few dissident intellectuals, often “samizdat” publishers—that’s the Russian word that meant the publishers of illegal antiregime writings generally using carbon paper on typewriters—sowed the seeds of doubt in small urban and university circles. That’s what samizdat intellectuals were often reduced to, since they by law and terror had no access to reproduction of writings by other means.

Still, the great mass of Soviet citizens remained indoctrinated until the declarations of perestroika and glasnost under Mikhail Gorbachev. Those reforms were a big mistake of his—especially glasnost, the open airing of political and other opinions. He himself wanted to preserve communism, at least in its last Leninist form of the New Economic Policy, but the reforms undermined everything. It was then that the truth of the crimes of Lenin as well as Stalin—the truth of the poverty prevailing in the socialist homeland, the true nature of the fantasy world, the pseudoreality woven by Soviet ideologists for decades—came to light. This fantasy world had been propagated by what Hayek called “the secondhand dealers in ideas” in the press, television, and radio.¹⁸ And Malia says that by 1991, the majority of Soviet citizens and a substantial majority of urbanites had lost that basic faith in the system.

¹⁷Ibid., p. 15.

¹⁸F.A. Hayek, “The Intellectuals and Socialism,” *University of Chicago Law Review* 16, no. 3 (Spring 1949): 418, <https://doi.org/10.2307/1597903>.

The Soviet world picture had been wrecked, not by tanks and bombs but by facts and opinions—by the release of information bottled up for decades. What changed minds was the cumulative synergistic effect of a great deal of new information on a variety of subjects at once. The swelling cascade of information shattered the faith of the Soviet ruling class, which is an important point of a revolution. It's what happened in France, for instance, after 1789, when the ruling class itself lost faith in its right to rule. The faith of the Soviet ruling class was shattered, including, finally, its will even to coerce. It was impossible, with this cascade of information, for anybody not to laugh or snort in derision at the great slogan of the Brezhnev years: "Soviet communism, the radiant future of all mankind."¹⁹

Well, it seems to me that this is a very good counterexample to the Stiglerian position. Some scholars have also reasserted the importance of the intellectuals in regard to politics, particularly Robert Higgs and Douglass North, whom I've mentioned before in connection with his work in the economic history of the European miracle. North freely concedes that public choice theory is invaluable in explaining much of political behavior, especially in democratic societies. Interest group pressures do account for a good deal of political decision-making, but to regard this as the whole story is to fall victim, in North's view, to the "myopic vision" of neoclassical economics. He says,

Casual observation provides evidence that an enormous amount of change occurs because of large group action which should not occur in the face of the logic of the free rider problem. . . . Large groups do act when no evident benefits counter the substantial costs to individual participation; people do vote, and they do donate blood anonymously. . . . Individual utility functions are simply more complicated than the simple assumptions so far incorporated in neoclassical theory.²⁰

It may be noted that it would be especially difficult to explain the phenomenon of voting on the simple assumptions North rejects. It is

¹⁹The phrase "Long live communism—the radiant future of all mankind" was among the slogans used by the Soviet regime. The phrase became better known in the West through Alexander Zinoviev's 1978 novel *The Radiant Future*. Zinoviev was a Russian dissident and used the phrase ironically.

²⁰North, *Structure and Change in Economic History* (New York: Norton, 1981), pp. 46–47.

well-known that in the United States, fewer than half of those eligible to vote do so in national elections. Still, tens of millions take the trouble to go to the polls to cast their individual vote, which they can be certain could not possibly affect the outcome of the national election. I'll grant you five hundred votes in Florida might, and if I had five hundred votes to be cast, I probably *would* bother to go to the polls. But a single individual vote can't possibly make a difference. It is morally certain, I think, that there are more people who get killed in traffic accidents *on the way* to the polls than people who can make a difference in a national election with their one single vote.

Ideology, according to North, is ubiquitous. It is "an economizing device by which individuals come to terms with their environment and are provided with a 'world view' so that the decision-making process is simplified."²¹ The fundamental aim of ideology is to energize groups that behave contrary to a simple hedonistic individual calculus of costs and benefits. Aside from rare exceptions, to cap the argument, ideologies develop under the guidance of intellectuals. A crucial part of ideologies—ignored by scholars who minimize the significance—are judgments of right and wrong, just and unjust. In this connection, North presents an argument that might well give pause to followers of Stigler's position:

If the concept [of just and unjust] is not crucial to the way in which choices are made, then we are left with the puzzle of accounting for the immense amount of resources invested throughout history in attempting to convince individuals about the justice or injustice of their position.²²

In other words, if, as Stigler believed, people are reasonably well-informed and act intelligently in pursuit of their self-interest, how are we to account for the massive and continual "misuse" of resources in contending over questions of right and wrong?

Robert Higgs is another critic of the Stiglerian position. Higgs's book *Crisis and Leviathan* is a treasury of important insights, analyses, facts.²³ In just a few pages, as far as I'm concerned, he settles the question of whether ideology and intellectuals are important. In the book,

²¹Ibid., p. 49.

²²Ibid., p. 51.

²³Robert Higgs, *Crisis and Leviathan: Critical Episodes in the Growth of American Government* (New York: Oxford University Press, 1987).

he presents a detailed examination of the growth of the US federal government in the twentieth century, highlighting the importance of intellectuals. “An understanding of ideology,” he asserts, “is essential to an understanding of the growth of government.”²⁴ Higgs too believes that the conventional neoclassical approach does not explain a wide range of political behavior. Drawing on the accepted conclusions of social psychology, as well as the writings of Amartya Sen, Higgs notes that individuals often act to confirm or validate their “self-image.” For instance, he says, “The kind of groups to which a person chooses to belong is closely connected with the kind of person he takes himself to be—a prime concern to the typical individual.”²⁵ (Sen won the Nobel Prize and is generally considered a left-wing intellectual but is an interesting writer nonetheless.)²⁶ This also holds for the political dimension of the self-image that people have. Again, like North, Higgs stresses that in acting politically, people are often truly concerned with what is right and wrong, just and unjust. These are issues that cannot be reduced to a narrow hedonistic calculus. Citing Schumpeter on the purely formal nature of the utility theory of value as employed by the Chicago people—which implies nothing regarding the content of people’s wants—Higgs concludes that one cannot demolish an ideological fortress with the weapons of neoclassical economics.

Higgs’s insight that much political behavior involves the affirmation of one’s self-image prompts the question, How do people acquire political identities which they then act to instantiate and confirm? A fountainhead of such identities is clearly the system of formal education. From this point of view, it would prove highly instructive to examine how the educational establishments of Western countries, especially higher education, function not only to convey the panoply of particular anticapitalist ideas but also to impart a particular self-image to a significant portion of the students it processes. This is, then, a self-image—their identities as members of the adversary culture—which they will try to live out as the bearers of a lifelong animus against private enterprise. You’re all aware of fellow students who identify themselves as

²⁴Ibid., p. 36.

²⁵Robert Higgs, *Neither Liberty nor Safety: Fear, Ideology, and the Growth of Government* (Oakland, CA: Independent Institute, 2007), p. 68.

²⁶Sen’s often-quoted observation on this topic is that “the purely economic man is indeed close to being a social moron.” Quoted by Higgs, *Neither Liberty nor Safety*, p. 41.

whatever type of leftist in some sense. How did they get that self-image? How did they come to adopt that self-image, which then will be with them probably for the rest of their lives?

HISTORICAL MYTHS, NATIONAL SOCIALISTS, AND BIG BUSINESS

Hayek, in his essay “History and Politics,” analyzes how historical myths influence how we think about the Industrial Revolution. It may be useful to focus on another example of a legend that has been part of the socialist pseudohistory—and which has also been exploded, as the myth of the immiseration of working people under the Industrial Revolution has been exploded. For decades, the prevailing view was that German big business played a central and essential role in the Nazi rise to power. Oddly enough, this interpretation echoed the official Comintern line set forth in the 1920s and 1930s. According to this myth, a generic fascism—including its German variant—represented the naked fist of a bourgeoisie confronting the final proletarian assault. The Comintern, the Communist International, played a crucial role in the terrible history of the twentieth century. It was set up by Lenin to promote the communist revolution in every country in the world, by any means necessary. It was very active in the 1920s, 1930s, the early 1940s, and the Comintern had a particular definition and analysis of German National Socialism which turned out to be the one that was accepted by so many historians.

For years, socialists continued to tout the line that the financial and political support of German big business was to a great degree responsible for Hitler’s coming to power, and of course, German big business was then responsible for World War II and all its atrocities. In the Federal Republic of Germany, when it was still just West Germany, intellectuals never tired of repeating Max Horkheimer’s aphorism, couched in the patented portentousness of the unspeakable Frankfurt school: “He who does not want to speak of capitalism should also be silent about fascism.”²⁷ The view was shared and propagated, however, not just by leftists like Horkheimer and communists but also by prominent nonsocialist writers—famous writers on the subject—like Lord Alan Bullock, Norman Stone, H. Stuart Hughes, and others.

²⁷Ernst Nolte, *Marxism, Fascism, Cold War*, trans. Lawrence Kader (Atlantic Highlands, NJ: Humanities Press, 1982), p. 76.

In 1985, a work of superb scholarship, *German Big Business and the Rise of Hitler*, was written by Henry Ashby Turner of, in those days, the great Yale history department. Turner demonstrated that this interpretation was simply a myth.²⁸ His own analysis is now accepted by practically all writers in the field. Will Turner have any more success in seeing his version passed on to the educated public? I doubt it, because, don't you *feel*, don't you *have the impression*, somehow, that Hitler was brought to power by German big business? So, whether Turner's interpretation will have any more success than the demolition of the myth of the Industrial Revolution remains to be seen. Turner posed the question, Why do we observe the persistence of historical accounts that are demonstrably false? Towards the end of his work, he reflects on why so many professional historians have accepted the view, and there you can see a great scholar at work. He goes into details. He went into the files of all of these German companies. He found out important details, such as the fact that a company's vice president couldn't have met with Hitler at a certain time because Hitler was known to be somewhere else at that time. Turner discovered those sorts of details. To put it very briefly, what Turner finds is that the Nazis adopted the fundraising techniques of the German Social Democrats and applied those methods to a substantially more affluent part of the population: the middle class. The Nazis charged for entry into their meetings. They sold matchbooks and playing cards with Hitler's picture on them—and all sorts of fundraising techniques—and that was the major source of their funding, together with certain middle-class businessmen. Big business hardly came into the picture at all.

Now, why should so many historians keep repeating the myth? Turner concludes, "Bias, in short, appears over and over again in the treatment of the political role of big business, even by otherwise scrupulous historians."²⁹ It's not a question of fabricating evidence, but the historians are biased. His general conclusion is this:

Professional historians generally have little or no personal contact with the world of big business. Like so many intellectuals, they tend to view big business with a combination of condescension and mistrust. . . . Since almost all of those who have concerned themselves with the relationship

²⁸Turner, *German Big Business and the Rise of Hitler* (Oxford: Oxford University Press, 1985).

²⁹*Ibid.*, p. 350.

between the business community and the Nazis, have, to one degree or another, stood left or at least left of center. A great many have found it difficult to resist the temptation to implicate big business . . . in the rise of Naziism. Although deliberate distortion does figure in some publications on the subject, the susceptibility of most historians to the myths dealt with in this volume, is attributable not to intellectual dishonesty, but rather to a sort of preconception that hobbles attempts to come to grips with the past.³⁰

Another way of putting Turner's explanation is in terms of one of the several components of the Marxist concept of ideology, as refined by Jon Elster. The individual's comprehension of social relations—any individuals: you, me, anyone—is inevitably skewed by the particular position he himself occupies in the network of these relations. He necessarily comes to understand “the whole from the point of view of the part.”³¹ Seen in this light, the root of the problem lies in the social position, the way of life, of the academic intellectual whose views in turn profoundly shape and condition those of virtually all other intellectuals. Everybody, almost everybody, who becomes an intellectual goes through college. Essentially, the academic intellectual is a mandarin, accustomed—to reiterate the point that von Mises made—to living from an assured source of income, usually taxes. But the case is similar with guaranteed endowments. As such, you rarely find it possible to appreciate or even understand the way of life of capitalists, entrepreneurs, traders, speculators—men and women who live and die by the vicissitudes of the market. Thus, the problem turns out to be one not so much of invidious personal motivation, as of a socially determined distorted cognition. But, in reply, one might object that it is academic intellectuals who, of all people, are morally obliged to free themselves from socially imposed blinders and to strive to see the market order as it really is. That they have manifestly not lived up to this obligation is, however, just another way of posing the problem that we've considered all along of the intellectuals' animosity towards the marketplace.

³⁰Ibid., pp. 350–51.

³¹Elster, *Making Sense of Marx* (Cambridge: Cambridge University Press, 1985), p. 476.

ROUSSEAU AND THE UTOPIAN SOCIALISTS

I want to go on to discuss some of the most prominent particular intellectuals who have opposed capitalism, beginning with the French Enlightenment and to the rise of what Marx and Engels called utopian socialists.

There was, in fact, a trend of socialist thinking during the French Enlightenment, but it was scattered and rare and not centralized. In fact, the author I'm going to talk about now was not himself a socialist; however, he was such an enemy of capitalist society that he deserves a good deal of attention. This is Jean-Jacques Rousseau.

Jean-Jacques Rousseau is, to my mind, one of the most destructive characters in modern intellectual history. He's also really quite interesting. You all know, as sensible people, that the *ad hominem* argument is invalid. We can't say that somebody's ideas or claims are wrong because of the sort of person that he is. That's an invalid argument and generally I agree with that, but really we shouldn't make a fetish of this or be overly fanatical. There are some cases where one has to bring in the *ad hominem* argument. Two cases that I can think of are, obviously, the case of Jean-Jacques Rousseau, and the other is Woodrow Wilson.

Rousseau's mother died in giving birth to him. He came from a family in Geneva, so he was not a Frenchman to begin with. For the first part of his life, he didn't accomplish very much or have much success. Then he moved to France and to Paris—which he hated. He hated cities. His friend Denis Diderot pointed out that there was an essay competition by one of the provincial academies. The question that was posed was, "How has the progress of arts and sciences affected society and human life?" In those days of the Enlightenment, almost everybody would be writing an essay saying progress has tremendously advanced human life, and so on. Rousseau cleverly took the negative and tried to show that the advance of arts and sciences was very destructive of true humanity. And he won the prize.

From then on, he became more and more celebrated—among other reasons, because he was a fantastic and beautiful stylist. It seems that he never wrote anything down that he hadn't first repeated in his head; that is, every single sentence in every part of a sentence had to sound right. So, he was a master of French and became, together with Voltaire, the most famous figure of the French Enlightenment.

I don't care for Voltaire as much as many people do—as much as *I* once did. However, the choice between Voltaire and Rousseau—as human beings—is no choice, as far as I'm concerned. Voltaire, of course: he had the mores of the eighteenth century. He had many lovers, but in succession, and the ladies were always ladies of accomplishment. One of his mistresses, at one time in his life, for instance, had written a book explaining Newtonian physics to the average person. Also, Voltaire made his own money through the sale of his books, pamphlets, plays, and so on, and became a very rich man.

Rousseau, on the other hand, lived off aristocrats—rich people who liked to have a star like Rousseau around. Voltaire loved Paris and the salon society, the wit, the repartee, and so on. Rousseau hated it. Voltaire read Rousseau's second important work on equality and inequality because Rousseau had sent him a copy of it.³² Voltaire thanked Rousseau kindly for the gift of showing why human beings really should go back to the jungle and operate as if they lived in trees. From the start, Rousseau and Voltaire hated each other. They kept reporting each other to the police. Voltaire once said, Rousseau is to philosophers as the ape is to man.

Now, in contrast to Voltaire's private life, whatever you want to think of that, nonetheless, there was certainly a certain style to it. Rousseau had a common-law wife, Thérèse Levasseur, who was a domestic servant in the boarding house where he lived, and he fell in love with her. He fell in love with her because she had a provincial accent and everybody made fun of her. She was a kind of poor, pathetic creature, and I guess he was faithful to her through his life. However, she was not what you could call a polished lady of the sort that Voltaire preferred. She could never remember the correct sequence of the months of the year, for instance. Once, when some priest came to visit Rousseau in his room, she thought he had been the pope, and she boasted to her girlfriends that the pope came to visit her husband.

Now, let's get into his social philosophy and how that comes out of some of his own personal experiences. Rousseau had five children from this woman, and every single one of them he gave up for adoption. A friend of his, one of these aristocratic ladies, wrote him and said, "How could you do that? You who have written on education

³²Rousseau, "Discourse on the Origin of Inequality," in *Basic Political Writings*, trans. Donald A. Cress (Indianapolis, IN: Hackett, 1987).

and on the cultivation of the mind of the young? You who have talked in such glowing terms about childhood and youth? How could you give up your own children?" He said, "Madam, please, I'm not in a position to give them what they need. I can't give them riding lessons. I can't give them fencing lessons. I can't pay for an expensive education. I do not have the means. Let society, which makes these demands on parents, to spend in this way for their children, let society take care of them."

This is only one example of the fact that he was the originator, as far as I can see, of the "society made me do it" excuse. It's the idea that people aren't responsible for their own actions and it's evil society that makes them do the sort of things that they do. By this thinking, somehow, if we got back to nature in some primitive form, we would be much better off. As I say, Rousseau had a good style, and some of his very deeply flawed ideas caught on for that reason.

In his essay on inequality he says private property originated when the first scoundrel fenced off a piece of land and said, "This is mine," and found the first fool that believed him.³³ Voltaire answered this in correspondence by asking how it can be that a person goes into the woods, clears the ground, makes it arable, sets up a farm there, sows and reaps a harvest for himself and his family, and still has no right to private property. Rousseau really didn't care. For one thing, he didn't deduce from his own analysis the idea that property should be abolished. He was not a socialist in that way. Yet, because of his anticapitalist views, he was influential in the formation of later socialists.

Here is another aspect in which he's a modern: he deified nature. This was not the tradition in Europe. This was certainly not the tradition among the philosophes. But, he said, the lakes, the woods, the mountains, and so on, this is where the human being gets in touch with his deepest, most authentic feelings. Rousseau loved to roam around in nature.

Rousseau wrote many books, and his most interesting book is really his *Confessions*.³⁴ In the *Confessions*, there is another aspect that

³³Ibid., p. 60. Cress's translation reads, "The first person who, having enclosed a plot of land, took it into his head to say this is mine and found people simple enough to believe him, was the true founder of civil society."

³⁴Rousseau, *The Confessions of Jean-Jacques Rousseau*, trans. Edmund Wilson (London: Grant Richards, 1924).

makes Rousseau a modern, let's say, of a certain sort. Rousseau says in his *Confessions*, "I will tell you everything. I will make myself transparent to you."³⁵ So, you see who Jean-Jacques Rousseau really was. He tells us things which I'm not going to get into here because, among other things, the Mises Institute doesn't *allow* it in public lectures. He tells us things that we really didn't *want* to know. (Voltaire was, by the way, a bourgeois. He was not an aristocrat. Voltaire had a bourgeois sense of discretion and dignity.)

On the other hand, Rousseau shows in his *Confessions* that one of the deepest—maybe the deepest—feelings that he had was his hatred of inequality. He says that sometimes he'd see a big dog attack a small dog and he'd throw rocks at the big dog because it just seemed so unfair to him.³⁶ For Rousseau, this inequality of power and inequality in private property leads to all sorts of viciousness. Rousseau suggests that merchants hope that their competitors sink at sea, and, of course, competition is something he hated very deeply.

His most famous book is *The Social Contract*.³⁷ Don't think that this has anything really in common with the social contract of John Locke. Rousseau is sometimes put in the liberal tradition. You can put Keynes in the liberal tradition, and that's bad enough, but to put Rousseau in the liberal tradition causes a total collapse of any kind of coherence in the conception of liberalism. One reason people do that is because, I would say, they don't read very carefully.

This is how *The Social Contract* begins: "Man was born free and he is everywhere in chains. How did this transformation come about? I do not know. How could it be made legitimate? That question I believe I can answer."³⁸ Maybe you've heard those lines? "Man is everywhere in chains." Does Rousseau say he's going to strike off the chains? No. He says, "How can that be made legitimate?" Do you follow what I'm saying? Scholars don't seem to be able to get what Rousseau's talking about here. He's talking now about how to legitimate the enslaved condition, or relatively enslaved condition, of human beings in society.

³⁵Ibid., p. 214.

³⁶Ibid., p. 22.

³⁷Rousseau, *The Social Contract*, trans. Maurice Cranston (London: Penguin, 1968).

³⁸Ibid., p. 49.

His answer is the social contract, but Rousseau's version is very different from Locke's. Locke's social contract was setting up a government in order to ensure the natural rights of life, liberty, and property and for government to be given certain very restricted authority and power. In Rousseau's view, it's different. The different articles of association of human beings in society are reducible to a single one—namely,

the total alienation by each associate of himself and all his rights to the whole community. Thus, in the first place, as every individual gives himself absolutely, the conditions are the same for all and precisely because they are the same for all, it is in no one's interest to make the conditions onerous for others. Since each man gives himself to all, he gives himself to no one and since there is no associate over whom he does not gain the same rights, as others gain over him, each man recovers the equivalent of everything he loses and in the bargain acquires more power to preserve what he has.³⁹

This is very typical of Rousseau. He has a very nice style, but did you notice the contradiction? Each individual gives up everything to the community, and now Rousseau says the individual acquires the power better to preserve what he has. But he doesn't have anything. He's given everything up, according to Rousseau. That's the essential problem with Rousseau: total alienation of everyone's rights to the community and, through that, the creation of something he calls the general will. He has a chapter here—that people who consider him a liberal should pay more attention to—called “The Lawgiver” or “The Legislator.” Rousseau writes, “The Lawgiver is the engineer who invents the machine”⁴⁰—the machine of society. “Whoever ventures on the enterprise of setting up a people must be ready, shall we say, to change human nature, to transform each individual who by himself is entirely complete and solitary into a part of a much greater whole, from which the same individual will then receive, in a sense, his life and his being.”⁴¹

³⁹Ibid., pp. 60–61.

⁴⁰Ibid., p. 84.

⁴¹Ibid. Raico is using the Cranston translation here. Some translations put this in more heroic terms, framing the effort to “establish a people” as something one must “dare” to do. The original French reads, “Celui qui ose entreprendre d’instituer un peuple doit se sentir en état de changer, pour ainsi dire, la nature humaine.”

Now, “setting up a people” here is written as “*instituer un peuple*”—to “institute a people.” This is the puerile theory—the idea that a supergenius somehow created a society—that Rousseau and other writers of the French Enlightenment had as to how society comes into existence. Society is instituted by some great lawgiver. Moses instituted the Hebrews, Solon instituted the Greeks, Lycurgus instituted the Spartan people, and so on. The puerile nature of this theory is one reason why scholars pay much more attention nowadays to the *Scottish Enlightenment*—the enlightenment of Adam Smith and David Hume and others, who were writing around the same time—than to writers like Rousseau when it comes to these questions.

So much more can be said about this—for instance, Rousseau says, “Sublime reasoning, which soars above the heads of the common people,” produces those rules which the lawgiver puts into “the mouths of the immortals.”⁴² This lawgiver, this really superhuman individual, institutes a people by setting up the basic social rules and pretends that some god made up these rules. This suggests, for instance, that Moses created the Hebrew people by pretending that God had sent down the Ten Commandments.

There’s more along these lines, but people should also pay attention to a couple of chapters towards the end of *The Social Contract*. In the ideal society that Rousseau proposes, in the true republic, Rousseau says he’s going to revive the Roman institution of the censors. These censors are not so much what we think of when we use the term now in regards to literature and other artistic productions. The censors described by Rousseau are boards empowered to inquire into the personal morality of individuals, the personal behavior of individuals—and to expose individuals who have acted immorally: “Just as a general will is declared by the law, so is the public judgment declared” by the office of the censor.⁴³ There is no limitation on what the censor may investigate because it is legislation that gives birth to morals. A more perverse and ridiculous statement on social theory could hardly be imagined. According to Rousseau, first there was the lawgiver, and he comes up with these laws. Then, somehow, morality comes from that. It’s a truism of social theory, of anthropology, sociology, and so on, that every society—every tribe, even—produces a set of morals.

⁴²Rousseau, *Social Contract*, p. 87.

⁴³*Ibid.*, p. 174.

How could it exist otherwise? After this, eventually and very gradually, legislation comes into existence.

Rousseau has another chapter, “The Civil Religion.” Rousseau was not an atheist, as some of the French philosophes were. He was really what can be called a deist—that is, a believer in God but not in any particular religion. In fact, he rejected organized religion and rejected religious dogma, religious services, and so on. Nonetheless, he thought that it was important to believe in the existence of God and rewards and punishments in the afterlife. In this chapter, he attacks Christianity. This is the great enemy, as far as he’s concerned. One reason is that Christianity created a system of dual power in European history. The consequence of this dual power has been an endless conflict of jurisdiction. According to Rousseau, this has made any kind of good polity impossible in Christian states where men have never known whether they are to obey the civil ruler or the priest.⁴⁴ He says this led to all kinds of confusion. The church interfered in political matters, and Rousseau believes society would have been better if there had been no church—or a church with no pretensions to political influence—and the princes could have ruled at will.

Rousseau continues: “Of all the Christian authors”—he’s wrong about Hobbes being a Christian—“the philosopher Hobbes is the only one who saw clearly of the evil and the remedy and who dared to propose reuniting the two heads of the eagle”⁴⁵—that is, Hobbes is making the state supreme in religious matters as well as in civil matters. Rousseau, the great liberal—some people think—is here praising Hobbes for his authoritarian position.

Rousseau hated Christianity. He was born in Protestant Geneva, but living in France, Rousseau hated especially the Catholic Church. Rousseau goes on: “Christianity is a wholly spiritual religion concerned solely with the things of heaven; the Christian’s homeland is not of this world.”⁴⁶ He goes on about this. This is one reason why Rousseau can be considered the start of many things such as Romanticism—a kind of protosocialism—but also nationalism, because the highest duty of the individual, in his view, was to devote himself totally to his

⁴⁴Raico notes that this relates back to the first lecture, “The European Miracle.”

⁴⁵*Ibid.*, p. 180.

⁴⁶*Ibid.*, p. 183.

fatherland and, if necessary, to die for his fatherland. Here he says the Christian doesn't believe that the state is the individual's fatherland. The individual's home, his true destination, is in heaven with Augustine and the "city of God." So, Rousseau says a Christian republic can never really be a home of patriots: "But I err in speaking of a Christian republic, for each of these terms contradicts the other. Christianity preaches only servitude and submission."⁴⁷

He'd never heard of the Presbyterian preachers rebelling against the Stuarts or the New England preachers rebelling against George III—admittedly that came later—or the Dutch Protestants.

Rousseau continues: "Christianity preaches only servitude and submission. Its spirit is too favorable to tyranny for tyranny not to take advantage of it. True Christians are made to be slaves; they know it and they hardly care; this short life has too little value in their eyes."⁴⁸

Well, I don't know what you want to make of that. I think it's hysterical rubbish, by this "great" political philosopher. To think that so much effort has been devoted to trying to disentangle the contradictions and the nonsensical statements of Rousseau, on the one hand, whereas Benjamin Constant, until recent years, has been relatively relegated to oblivion in the English-speaking world, at least.

ROUSSEAU AND THE FRENCH REVOLUTION

Rousseau's impact, politically, was obvious during the French Revolution.

Rousseau says that *everything* he's talking about has to do only with a small state where individuals can assemble and vote. Delegated authority, he says, is no true legitimate authority. So, what is he saying here? He seems to be saying that this whole system of the social contract holds only for a place like Geneva or maybe ancient Athens.⁴⁹ It doesn't hold for a modern state like France. Well, at other times he contradicts that and says that the Kingdom of France could also be a system manifesting a "general will," under certain circumstances. But in *The Social Contract*, he denies that. There remained a question as to the relevance of the general will—if it holds only for a situation where

⁴⁷Ibid., p. 184.

⁴⁸Ibid.

⁴⁹Ibid., pp. 136–38.

people can get together and directly and immediately vote on issues without intermediate representation.

Nonetheless, Rousseau had followers, and the followers had to deal with the possibility, the potential, and the opportunity of instituting Rousseau's ideas for France. This occurred during the revolution, and Rousseau's major declared follower was the terrorist Robespierre. Robespierre claims to have actually met Rousseau when he was younger, and Robespierre constantly talks about Rousseau. Robespierre was the major figure in the Reign of Terror, and he pushed the idea that Rousseauian virtue—total dedication of the individual to the welfare of the state—had to be brought about in France. France had to be made over in the favored image of people like Rousseau and Robespierre, which was ancient Sparta. The model was not even so much Athens. It was Sparta. It was this, and not a practical need to oppose invasion or anything else, that accounts for the last burst of terror under Robespierre in the spring and summer of 1794.

Did the French Revolution show any examples of socialism? A potential example can be seen when the assignat paper money led to runaway inflation and the revolutionary government's implementation of price controls. Guess what effect price controls had? Shortages were created, as people were living on the margin already. This led to further terror and then a general "Law of the Maximum," as it was called, which created controls over all prices and wages. This then led to state management of the economy, which lasted just a very few months. You could call that an example of socialism, but aside from the confiscation of the property of the enemies of the revolution—like the church and the aristocrats—there was no general urge towards socialism.

However, around 1797, the first socialist-movement conspiracy occurred in Paris under François-Noël Babeuf. It was called the "Conspiracy of the Equals." They were somewhat inept conspirators. They would hold meetings to plan and further their conspiracy and hand out leaflets to people announcing where the meeting was to take place. They were all arrested. They were all put on trial.

Babeuf and his coconspirators had a bit of a theoretical structure, and one thing that's interesting from these writings is this: everything is to be run by the community—there's not going to be any private property. Everybody will work for the community, everything that they produce is going to be put into storehouses and then distributed to people according to need. They say, "If you think that this can't work, look at our great revolutionary armies. Our armies are an example of

this kind of system.” They don’t use the word socialist yet, but essentially what they’re saying is, “Our armies are socialized enterprises, and look how immensely successful they are. They’re conquering all of Europe.” Nowadays, people say, “We can put a man on the moon, why can’t we do X, Y, and Z?” So, the Babeuf conspirators argued, “If we can conquer Europe through this kind of socialized effort, why can’t we run the economy in the same kind of way?”

But they were put on trial, and most of them were executed.

There follows a period of thought—and Paris is the center of it—during which the Rousseauian idea and Jacobin idea never die out. Paris is “Red Paris” until the last gasp of radicalism and revolution in Paris in the Paris Commune of 1871. After that, it’s the case that real estate prices in Paris, virtually everywhere, get so high that it becomes quite a conservative town. But Paris is a center of revolutionary radical—and what is now safe to call socialist—thought and education for the next few decades.

This itself, by the way, is one superfluous refutation of the Marxist theory of history. In the Marxist theory of history, socialism should have arisen in England, because England was much more advanced in the way of capitalism than France was. It didn’t. There was Robert Owen in England, but he was a very minor figure compared to the French thinkers, because in the first decades of the nineteenth century, you have a series of French thinkers, as we’ll see, who decisively influenced Karl Marx and the German socialists.

THE UTOPIAN SOCIALISTS

The best book—the best large single volume—on socialist thought, by far, is by Alexander Gray, and it’s called *The Socialist Tradition from Moses to Lenin*.⁵⁰ That “Moses” part of it is a kind of example of Gray’s donnish wit. He was a Scottish professor, and the book is filled with—if you like that kind of humor, which I do—witticisms along that line. One of the things he tries to prove in the book is that there is no socialism in the Old and New Testaments; that is, when people talk about socialism under the Mosaic law or socialism in the early Christian church, these are misnomers. He deals with other figures who could reasonably be put in the socialist tradition, like Plato or Thomas

⁵⁰Gray, *The Socialist Tradition: Moses to Lenin* (London: Ballantyne, 1946).

More—the author of *Utopia*—and others. For our purposes, the interesting chapters have to do with modern socialism, starting with the French utopian socialists, as they're called.

The utopian socialists were given this name by Marx and Engels in *The Communist Manifesto*. The most important of them are Charles Fourier and Henri de Saint-Simon and his followers. Marx and Engels call them “utopians” *not* because they had a kind of utopian vision of what society could become—an unrealistic utopian vision—because Marx and Engels had exactly the same vision. They were “utopians” because they did not believe in the *historical inevitability* of socialism. They didn't have a Hegelian understanding of the historical process. They just hoped that somehow socialism would come into existence. Fourier had his plans for setting up communities, and he'd be in some Paris café at a certain hour of the day, available to any millionaire who wanted to come and invest in the socialist communities. Marx and Engels say, “That's ridiculous, that's so unrealistic, that's so visionary.” That should be kept in mind, I think, because Marx and Engels themselves had an absurd view of what socialism would bring about in the way of total harmony, total freedom, absolute prosperity, and so on.

I want to say a few things about Fourier.⁵¹ He believed that communities could be set up where everyone had to work, and work could be made such that people would bound out of bed in the morning to run to go to work. And how is that possible? How that was possible was that *every single human instinct* was going to be satisfied by the work that is done. There is, for instance, the “papillon instinct,” the butterfly instinct; that is, you don't want to do the same work all day long—you get tunnel vision from that kind of thing. So, it would be platoons doing different kinds of work, and you'd go from one platoon to another every couple of hours. You could be digging ditches one time, you could be building a housing unit another time, you could be putting out a newspaper another time, and all during the same day. It's abolition of the division of labor. There are dirty jobs that have to be done in society; however, it is a very happy circumstance that children like to mess around in the mud. So, we have kids doing that.

He went around as a traveling salesman and spent his evenings writing this stuff up. All of these different labor platoons somehow

⁵¹Raico here reminds the audience that Mises labeled the psychiatric ailment of being envious of successful people in a capitalist society the “Fourier Complex.”

would be so arranged as to have young ladies also involved in that, so that this would add to the merriment in the course of the day. Ultimately, he literally says—and he was a disturbed man—that the seas would turn to lemonade, lions would be tamed to be ridden by humans, and on and on.⁵²

Don't think that this is of no historical interest. Fourier always had a steady influence over the years. It was not a *major* influence, but it was steady. Fourier influenced generations of supporters of a certain variant of socialism, a kind of bohemian socialism, you might say, which shrugged off any real responsibility or need for hard work in society. This brings in also a kind of bohemian attitude towards sexual relations, and so on. Fourier's socialism was not as important, however, as that of Saint-Simon and the Saint-Simonians.

⁵²Charles Fourier, *The Theory of the Four Movements*, eds. Gareth Stedman Jones and Ian Patterson (New York: Cambridge University Press, 1996), p. 50.

Lecture 8

The Planned Society

I want to say some things to finish up with the so-called utopian socialists. Remember, this phrase was strategically concocted by Marx and Lenin to denigrate their enemies. The last of these early French socialists—and by far the most influential—was the school of Henri de Saint-Simon. Let me mention one more time the work by Alexander Gray, *The Socialist Tradition*, which is important for talking about Henri de Saint-Simon and his followers, the most important of whom were Barthélemy-Prospér Enfantin and Amand Bazard.¹

Saint-Simon is a famous aristocratic name in France, and Henri was indeed a member of the nobility. Saint-Simon was a very peculiar character. He flourished during the assignat inflation by speculating in the currency and made money that way. But then he lost a huge fortune and was reduced to writing rather pathetic letters to the crowned heads of Europe, informing them that he was starving to death and please to send him money, which never came about. Then, somehow, he revived his fortunes. He lived in Paris in the area of the École Polytechnique, which had been set up around this time, and this was one of the great scientific centers of Europe. He loved associating with scientists and mathematicians and dining with them and cultivating them, and so on. This is going to be important in the creation of his philosophy. A crucial fact about him is that Saint-Simon, and also his followers, became very interested in the works of the theocratic conser-

¹Alexander Gray, *The Socialist Tradition: Moses to Lenin* (London: Ballantyne, 1946).

vatives—as they were sometimes called—especially Joseph de Maistre and also Louis de Bonald.

De Maistre and de Bonald rejected the French Revolution, of course. They rejected the French Enlightenment. They were much more conservative—even reactionary—than Edmund Burke was. Burke was fundamentally a supporter of the free market and free Whiggish British society. These theocratic conservatives, especially de Maistre, who was influential, wanted to return, not to the pre-1789 old regime but back to the Middle Ages. De Maistre, especially, was an intelligent man, from my point of view, but his ideas were fundamentally flawed. These theorists are called theocrats because they bemoaned the absence of authority and hierarchy in modern society. They promoted the creation of revived centers of authority in hierarchy culminating in the pope. They were “ultramontanes,” in the Catholic tradition—that is, looking to the supremacy of the pope.

They were part of the movement that idealized the Middle Ages in a particular way. Their Middle Ages was not the Middle Ages that we’ve talked about here—the enterprising Middle Ages of the towns or the Middle Ages of the beginning of European and world commerce. The Middle Ages we discussed here is the Middle Ages that gave rise to free institutions. Instead, you could say that de Maistre and de Bonald adopted the reverse, the Protestant and Enlightenment stereotype of the Middle Ages as a society of total stability and adherence to the status quo. That, they thought, was the sort of society that was most desirable, especially after all the tribulations and upheavals of the revolutionary period. In tracing this revolutionary philosophy that they thought had culminated in the excesses of the revolution and the Reign of Terror, they went back to the people they considered the first real revolutionaries. The first revolutionary, of course, was Lucifer, in their view, who rose up against God himself. The conservative theocrats went back to René Descartes who introduced the modern philosophy with the idea of systematic doubt. But above all, they opposed the reformers of the Protestant Reformation. They were, according to the theocrats, the ones who began to undermine traditional European society.

THE VIEW OF THE SAINT-SIMONIANS

The Saint-Simonians, beginning with Saint-Simon, found this conservative view really fascinating. The Saint-Simonians agreed that, yes, there was something wrong with modern history. There is a deep flaw

in the French Enlightenment and also among the French revolutionaries. However, it's not backwards that we have to look for a society of stability and hierarchy and authority but to the future. Where was this new authority to come from? Who was to compose this new hierarchy? Well, Saint-Simon learned—or thought he learned—new authority was to be found in modern science, and the new hierarchy was to be composed of the proponents of the scientific world outlook.

Saint-Simon had a disciple, a man who was his personal secretary, who then went out on his own, a man named Auguste Comte. It's this school of thought that is the founder of positivism, the point of view that says that the only real authentic knowledge of the world is to be gained through the methods of natural science. Hayek deals with this in an important book called *The Counter-revolution of Science*.² The first half or the first part is about methodology and philosophy—a little tough going, perhaps. What is most fascinating, I think, is the second part about the actual history of this philosophy of positivism. He talks about the Saint-Simonians, about Auguste Comte, and further ramifications.

Auguste Comte coined the term “sociology,” the idea that the so-called social sciences must imitate the methods of the natural sciences. What that means, for instance, is that in economics, we don't have a science that's built up in an a priori way, as the great classical thinkers of the nineteenth century—and especially the Austrian school—insisted. What we have to have is a science that collects facts, statistics, and so on, and in this way builds up theories analogously to the natural sciences. Since the only authentic knowledge comes through the methods of the natural sciences, of course, you really can't get any knowledge from religion, from tradition, from history. It has to be done in a modern scientific way.

And what's the point of all this? Well, as with the natural sciences, knowledge is power. This had been set up by people like Francis Bacon. Once the natural sciences accumulate sufficient knowledge, the world is ours, we can do anything we want with it—in medicine, in civil engineering, in exploiting natural resources. We use the methods of natural science, the conclusions of natural science, to rule the natural world. Similarly, if we have a social science that's based on the methods of

²F.A. Hayek, *The Counter-revolution of Science: Studies on the Abuse of Reason* (Glencoe, IL: Free Press, 1952).

natural science, then that knowledge is power and that knowledge is power over man and society. The idea was that in the future, there would be developed a class of individuals who—they didn't bother to beat around the bush—we can call "priests of positivism."³ They would be imbued with the philosophy of positivism, of positive social science, and they would know how to apply that in a social engineering kind of way to remake society, to remake the nature of man. All human problems could eventually be solved in the same way that technical engineering problems are solved by the natural sciences. Crime? Well, we would investigate the causes of crime, the roots of crime. We'd then start dealing with those causes and roots of crime, and eventually there would be no crime. All it takes is knowing enough about the subject.

The period we're talking about, the first few decades of the nineteenth century, is a time when a lot of people had philosophies of history. I talked to you about the industrialist school and their philosophy of history—of the predatory and the preyed-upon classes. Well, the Saint-Simonians had a philosophy of history also that dovetailed with their theory: History alternates between two phases. There is an organic phase, and then this is followed by a critical phase. An organic phase is characterized by stability, a sense of authority in society, social harmony, and the subjection of the individual to the community. In this way, the organic phase provides a comfortable, psychologically appealing cocoon for the individual. The individual doesn't have to worry. He's told by his society how to live his life, what's right, what's wrong. There are no questions that come up to produce anxiety.

THE SAINT-SIMONIAN THEORY OF HISTORY

In each of these previous organic periods, there was a prevailing philosophy, and, unfortunately, the prevailing philosophy was inadequate. For instance, in archaic Greece before about the fifth century BC, there was a belief in the particular gods and the rituals of the gods, in the Homeric heroes. There was a general belief in the right of the chieftains to rule, and this provided a structure for the organic phase of Greek society. However, that was followed by the period of

³Sociologist Anthony Giddens, for example, calls Comte the "high priest of positivism." Comte also founded what he regarded as a "secular religion," known as the Religion of Humanity.

the philosophers. In this new period, someone like Socrates—a kind of a model philosopher—began questioning everything.

This is the beginning question of the republicans: What is justice? Well, in an organic society, everybody knows intuitively, instinctively what's justice, what's right and wrong. Now the philosophers wanted to have reasons for this view. You say this is justice. Why? In the Saint-Simonian view, that began the eroding of this organic phase and the coming into existence of a critical phase. It was necessary because the old ideas—the ideas of the Greek gods and goddesses—were not really adequate. So, it was necessary that the old system made way for a critical phase. However, human beings really can't live in critical phases. They're not made for it. It creates too much anxiety, questioning, and problems.

One might say—a Saint-Simonian might say—that a modern example is the problem of raising children. For example, who knows how to raise children today in our society? At one time, people had a very good idea how to raise children. In my neighborhood, “Angelo” would come over here and “break your legs” if you keep doing that. Parents said, “Wait until your father gets home,” and I thought it worked pretty well.

But nowadays, there are so many conflicting ways parents are taught to raise children. Young couples now, if they happen to have some anchor in their life, that's all to the good. But if they're the typical product of so-called liberal education in America, there are real problems.

This, in other words, is a critical phase of the evolution of our society, and people are not sure about things. So, the critical phase of ancient society was followed by an organic phase, according to the Saint-Simonians and that was medieval Catholicism. There was an assured sense of the rightness of things. You can see it, for instance, in any of the great medieval systems—let's say, Dante's *Divine Comedy*.⁴ In society—that is, in the social structure of feudalism—you have one religion, and within that religion, the authority of the pope is at the very top. There was the great chain of being, with God at the top, and then the angels, and then the pope, and then the kings, and then the nobility, and then average people. Among average people, there was

⁴In the original lecture, Raico refers here to “Dante's *Paradise Lost*,” but he almost certainly meant to say “Dante's *Divine Comedy*.”

the father in the family ruling over the mother, and then the parents ruling over the children, and human beings ruling over animals. That was the great chain of being, going from the very top to the bottom.

According to the Saint-Simonians, who, like everyone at the time, had a very simplistic view of what the Middle Ages was like, the medieval hierarchy provided the organic phase that was necessary; however, as with the Greek gods, medieval Catholicism could not withstand criticism and critical reasoning. So, the Protestant Reformation came along. If this seems awfully quick to you, well, that's because the Saint-Simonians are not particularly deep historians. The Protestant Reformation came along and, above all, the rise of modern science. So, the medieval synthesis was shattered, and a critical period followed. That critical period lasted for a number of centuries. The French Enlightenment is a good example of it, destroying everything and really creating not very much that was positive, from the Saint-Simonian point of view.

The French Revolution illustrated that in politics the time has come for the creation of a new organic stage of society—and this will be the *last* stage of society. That's another thing these philosophies of history had in common. They not only talked about how history had developed up until this time, but somehow, either now or very soon, the end stage will have been reached. This is because now we have an authority and an overriding philosophy—which is positivism—that could be permanent. This new positivism is the application of modern science to all social and human questions. So, the Saint-Simonian idea was that we're going to be able to solve all of the problems created by critical phases, all of the anxieties and conflicts, and enter into an organic phase that will be permanent. Society will be ruled by the positivist thinkers and the positivist priests wielding the methods of positive science. This is going to have implications for every aspect of society.

Now, Saint-Simon's last work was *The New Christianity* because it turns out that positivism is another aspect of "true Christianity."⁵ True Christianity has nothing to do with particular doctrines or particular liturgy or particular services in one religion or another. In the Saint-Simonian view, true Christianity is simply the message of Jesus: love thy neighbor as thyself. The positivists—the rulers of society—will be using the methods of natural science to further the aim of true Christianity: a

⁵Henri de Saint-Simon, *The New Christianity*, trans. J.E. Smith (London, 1834).

total human brotherhood among people of a nation and eventually the whole world.

Now, Saint-Simon maybe is not himself, strictly speaking, a socialist, but his followers certainly were. They were the most consistent and, for a time, the best-known socialists in Europe. Saint-Simon himself died in 1825. Just a few years later, his followers, the Saint-Simonians, began holding, first of all, a series of famous lectures in Paris. Hundreds and hundreds of people came to the lectures, including hundreds and hundreds of members of the elite, including elite foreigners. For example, Heinrich Heine, the German poet, attended these lectures, which were then published as *The Exposition of the Doctrine of Saint-Simon*, which was largely the doctrine of Saint-Simon's followers and not of Saint-Simon himself.⁶

Here, they came up with most of the arguments against modern capitalism: Modern capitalism is a new form of feudalism. It is now the rule of the factory owner over his wage slaves. Modern capitalism leads eventually to depressions and the business cycle, and this is inherent in capitalism. Competition is inherently and vastly wasteful. What is the point of having two different companies building railroads from Paris to Lyon when we can have scientists, engineers, and experts get together and find out which is the best route between Paris and Lyon? The experts can build *that* instead of having trains going half-full from each of two competing companies. You would then have a prosperous railroad company that was built by experts. The Saint-Simonians came up with the idea that these experts in all fields would get together and concoct plans for all and for the whole economic life of society. In this way, the Saint-Simonians really were the originators of the idea of central economic planning.

For a while in the late 1820s and the 1830s, Saint-Simonianism was the success of the day in Europe; it was the wave of the future; it was the sort of thing that anybody who was interested in fashionable ideas would get acquainted with, think about, adopt very often. Karl Marx, a young lad in the Rhineland in his hometown, knew an older man there, a man named von Westphalen, a minor nobleman. Marx was already in his young teen years interested in new ideas, and one of

⁶Célestin Bouglé and Elie Halévy, eds., *Doctrine de Saint-Simon: exposition, première année, 1829* (Paris: M. Rivière, 1924) or *The Doctrine of Saint-Simon: An Exposition, First Year, 1828–1829*, trans. Georg G. Iggers (New York: Schocken, 1972).

the main things that he discussed with this gentleman were the ideas of the Saint-Simonians. Westphalen afterwards became Marx's father-in-law when Marx married his daughter. What I'm getting at here is that Karl Marx was interested in what's fashionable in the way of ideas and was becoming acquainted with Saint-Simonianism. So, this sets the stage now, the 1830s and early 1840s, for the appearance of Marxism.

MARX AND MARXISM

The thing to understand about Marx, as Murray Rothbard says at the beginning of his many pages on Marx at the end of the second volume of his history of economic thought, is that Marx was a communist.⁷ What Rothbard means, among other things, is that Marx was a communist before he was anything else. That is, he was a communist before he was an economist. In fact, he learned economics in order to rationalize his communism. This is well-known among people who know about Marx's life.

By 1844, he had already written, but not published, *Economic and Philosophic Manuscripts*—what is sometimes called the Paris Manuscripts. They were only discovered long afterward, around 1930, and then they were published and for a while created a whole industry called Marxist humanism—that is, the Marx who wasn't a determinist but somehow more humanistic.⁸ Now, it's easy to find these things in print, and if you look at the *Economic and Philosophic Manuscripts* of 1844, there's no economics at all. All it is is playing around with Hegelian, kind of, categories. There's what's sometimes called a philosophical anthropology dealing with the nature of man and juggling around aspects of that in a philosophical way, having no connection with empirical reality practically, and certainly no connection with economics. It was only around this time, in the mid-1840s, that Marx became interested in economics for the first time, while under the influence of another young German that he had met, Friedrich Engels.

Let me say something about the literature on this subject. I mentioned Alexander Gray, who also has some very good chapters on Marx and Marxism and the different Marxists. And I mentioned, the

⁷Rothbard, *An Austrian Perspective on the History of Economic Thought*, vol. 2, *Classical Economics* (Auburn, AL: Ludwig von Mises Institute, 2006), pp. 317–345.

⁸Marx, *Economic and Philosophic Manuscripts of 1844*, trans. Martin Milligan (Amherst, NY: Prometheus, 1988), pp. 13–170.

last time, the book by Martin Malia on the Soviet Union.⁹ This book that I'm talking about now has as much to do with Soviet Russia as with Marxism. Leszek Kołakowski was at one time himself a communist in Poland. However, he outgrew that, became a critic of communism, and in the 1970s wrote a magnificent three-volume work called *Main Currents of Marxism*¹⁰ He is a great scholar, familiar with all of the relevant languages. The first volume is on the origins of Marxism and on Marx and Engels. The second volume is on thinkers of the Second International, like Lenin, for instance. The third volume is on twentieth-century Marxists. It is one of the great works of intellectual history of the twentieth century, in my opinion.

We saw something about the depths of stupidity of many Americans in regard to foreigners just a few weeks ago when they started mocking the French and France and French culture.¹¹ There are Americans who mock the Polish people, the great Polish people. Kołakowski is a good antidote to that. He is today, even, a man of immense learning, and these three volumes are indispensable, I would say, to anyone interested in Marxism. I suppose it would come as a surprise to many of the people who retell Polish jokes, and so on, that among the greatest logicians of the twentieth century were Poles, which is one reason why the Poles were able to crack German codes and bring their findings over to England and were instrumental in permitting the British to follow German secret messages.¹²

Another key concept in Marx's thinking is "alienation." On this, Paul Craig Roberts does something very interesting in his book *Alienation and the Soviet Economy*.¹³ In the early, "humanist" Marx—

⁹Malia, *The Soviet Tragedy: A History of Socialism in Russia, 1917–1991* (New York: Free Press, 1994).

¹⁰Kołakowski, *Main Currents of Marxism: The Founders, the Golden Age, the Breakdown* (New York: W.W. Norton, 2005). Originally published in 1978.

¹¹This is a reference to the anti-French sentiment that surged in the United States around the time of the 2003 US invasion of Iraq.

¹²The Polish government had begun efforts to decipher German codes in the early 1930s. Notable among the code breakers were Jerzy Rozycki, Henryk Zygański, and Marian Rejewski.

¹³Roberts, *Alienation and the Soviet Economy: Toward a General Theory of Marxian Alienation, Organizational Principles, and the Soviet Economy* (Albuquerque, NM: University of New Mexico Press, 1971).

in the *Economic and Philosophic Manuscripts*, for instance—he keeps talking about “alienation.” But that escapes Marx’s attention after a short while, and then he starts talking in the very familiar terms about historical determinism and substructure, superstructure, and how one phase of society necessarily follows another. Therefore, one might conclude this earlier humanist Marx, who puts his emphasis on alienation, is not very important.

What Roberts shows is really that that concept, although not explicitly used by Marx in later years, underlay everything that he did afterwards and underlay also the Soviet experiment. So, Roberts’s book is a very important work of Marxist scholarship, I think. It’s fairly brief but with very important implications.¹⁴

What was Marx after? It would be a terrible mistake—and Lenin understood this; this is why he hated the revisionist socialists—to reduce Marxism to the idea that working people would be a lot better off under socialism, that socialism is more efficient, that it will bring prosperity to all, and that it will do away with class domination. Yes, Marx believed those things, but most of all, what he believed—and central to it all—was that, for the first time, the human race could achieve real human dignity, which it had not up until now. Why not? Because up until now, human history has been accidental. People have done things, acted in history, and often their actions produced consequences that were *the opposite* of what people wanted. Nobody wants depressions, for instance, and yet the capitalist system is such that people act—within a limited sense—rationally and yet depressions occur. So, what’s going on here? What’s going on here is that man does not have control of his own destiny and man will not have control of his own destiny until the time comes when society is totally planned.

That planning aspect is not simply a way of bringing about more efficiency. It’s a way of affirming human dignity and the human control of human affairs. There isn’t very much in the corpus of Marx and Engels that tells us what the future society is going to be about, but this point is certainly clear. This is what Marx wrote of the stage of communist society just before the disappearance of scarcity: “Freedom in this field can only consist in socialized man, the associated producers rationally regulating their interchange with Nature, bringing

¹⁴See the text of Raico’s 1964 lecture “Capitalism, Socialism, and Alienated Man,” <https://mises.org/speech-presentation/capitalism-socialism-and-alienated-man>.

it under their common control, instead of being ruled by it as by the blind forces of Nature.”¹⁵

Do you understand what he’s saying? He’s not talking about thunderstorms or earthquakes. He’s talking about the course of history as being like the blind forces of nature—that human beings have to submit to, have to endure, events and sufferings that they never intended.

The point is made clearer by Engels. This is a longish quote, but I hope that you can follow it and you can understand what he’s getting at:

With the seizure of the means of production by society, production of commodities is done away with, and with it the domination of the product over the producers. Anarchy in social production is replaced by conscious organization according to plan. The whole sphere of the conditions of life which surround man, which ruled men up until now, now comes under the dominion and control of men, who become for the first time the real, conscious lords of nature, because and in that they become the masters of their own social organization. The laws of their own social activity, which confronted them until this point as alien laws of nature, controlling them, then are applied by men with full understanding, and so mastered by them. . . . Only from then on will men make their history themselves, with full consciousness; only from then on will the social *causes* they set in motion have in the main and in constantly increasing proportion, also the *results* intended by them. It is the leap of mankind from the realm of necessity to the realm of freedom.¹⁶

“Production of commodities” is another name for the market economy, and “the mastery of the product over the producer” is the idea of the so-called invisible hand. For Engels, however, there is no invisible hand—it’s total “anarchy of production,” a term coined by the Saint-Simonians and here repeated by Engels.

Engels also says, “make their history themselves in full consciousness”—that is, *everything that happens in history will have been planned*. Engels continues: “It is a leap of mankind from the realm of necessity

¹⁵Marx, *Capital*, vol. 3, chap. 48, <https://www.marxists.org/archive/marx/works/1894-c3/ch48.htm>.

¹⁶Friedrich Engels, *Die Entwicklung des Sozialismus von der Utopie zur Wissenschaft* (Berlin: Dietz, 1923), p. 51.

to the realm of freedom.” In another place, Engels refers to it as the end of the *prehistory* of mankind. Up until now, that’s been almost like the history of the apes, with human beings not in control of their destiny. Only with this total conscious planning of the economy and society will human beings then be in control of their destiny and their history.

This is what was aimed at as the ultimate goal of communist society, and this is what Lenin understood, this is what the other Bolsheviks, Trotsky especially, understood.

BAKUNIN AND THE SOCIALISTS

Marx died in 1883 and Engels in 1895. They live a long time, they write a lot of things. They engage, when they can, in revolutionary activity, especially in 1848, but Europe is sort of quiescent. When the Paris Commune comes about in 1871, suddenly their excitement is ignited again and they think this is maybe the dawn of the revolution. It wasn’t even a Marxist revolution; it was more of a Jacobin—and even *Proudhonist* revolt—in Paris. So, it never amounted to anything. So, the actual revolutionary activity Marx and Engels could engage in was limited. They did help form, with others, the First International, the Working Man’s International. But that came to grief over the conflict between Marx and his side and Mikhail Bakunin and the anarchists.

Bakunin was a lovable old psychotic—he was an anarchist and just traveled around in the mid-century. He died in the 1870s—trying to raise up revolution wherever he went. He would go to some country and learn enough of the language to start haranguing mobs, and so on. He never really succeeded very much. He was in Dresden during the Saxon revolution of 1849 and heard Wagner conducting Beethoven’s Ninth, and Bakunin said, “What a pity that this too must be destroyed.”¹⁷ He said crazy things like that. On the other hand, he never actually killed anybody.

He was imprisoned by the tsar and escaped from the Peter and Paul Fortress in Saint Petersburg, and he tried to get back into Europe to start revolutions again. He went the long route across Siberia. Well,

¹⁷Ernest Newman, *The Life of Richard Wagner: 1848–1860* (New York: Knopf, 1937), 2:49. A month later, the site of the concert, the Dresden opera house, was destroyed by fire in an uprising encouraged by Bakunin. See Karol Berger, *Beyond Reason: Wagner contra Nietzsche* (Oakland, CA: University of California Press, 2017), p. 183.

it just was less dangerous than coming across the police. He came to America, looked around, and said something to the effect of, “Why am I spending my time on this anarchy? They have anarchy. Where is the government here?”¹⁸

He made his way to Europe, constantly writing pamphlets. He translated *The Communist Manifesto* into Russian. So, he was an admirer of Marx, especially Marx, and of Engels for a while, but then became progressively disillusioned. Bakunin was the first critic of Marxism to bring out the question of the “new class.” That became a famous criticism of Marxism. The most famous, although not the deepest, critic along these lines was the Yugoslav Milovan Djilas, who wrote a book that was titled *The New Class* in the post–World War II period.¹⁹ This is why anarchists insisted the state had to be abolished totally and immediately. They said the alternative was that a small group of communists is going to gain control of the state, and what reason is there to suppose that they will ever give up their power? As Marx himself said, communists are the vanguard of the proletariat because they know more about the historical process than the proletariat does. Marx imagined this group would have to gain control of the state.

Bakunin noticed that in *The Communist Manifesto* agriculture is to be conducted by vast armies of agricultural laborers. Bakunin said, an army means that there are soldiers and there are officers—and what have we got here? These vast armies working the fields and the plantations. What we have here is the Roman latifundium again. What we have here is a new system of slavery, under a new ruling class.

Well, Marx didn’t want to hear this. Correspondence between Marx and Engels—I haven’t actually checked it out except for certain theoretically important letters—is filled with ethnic and racial slurs, mainly against their socialist and anarchist opponents.²⁰ But Bakunin

¹⁸Following his visit, Bakunin heaped praise on the United States as offering “a freedom which does not exist anywhere else.” Bakunin more than once said he considered emigrating to the US. See Paul Avrich, “Bakunin and the United States,” *International Review of Social History* 24, no. 3 (1979): 328–30, <https://www.jstor.org/stable/44581820>.

¹⁹Djilas, *The New Class: An Analysis of the Communist System* (New York: Praeger, 1957).

²⁰One often-quoted example of this is Marx’s July 30, 1862, letter to Engels in which Marx writes about German socialist Ferdinand Lassalle: “The Jewish nigger Lassalle who, I’m glad to say, is leaving at the end of this week, has

himself said that Marx's position is very typically Jewish and German, Bakunin being Russian and not Jewish.²¹ This is somewhat amusing, but Bakunin's analysis is part of an interesting episode in the nineteenth-century history of radicalism. Bakunin did start some centers of anarchism, mainly in Spain. Anarchists come around during the Spanish Civil War and also in Italy, but it was Marxist socialism that prevailed. It was Marxist socialism, the Marxist idea, that finally took over the great Social Democratic Party of Germany, the SPD, which, as you know, exists to the present day and is the ruling party in Germany.²²

POST-MARXIST SOCIALISM

Towards the end of the nineteenth century, the great theoreticians of Marxism are mainly German socialists. After Engels dies, one of the German socialist leaders, Eduard Bernstein, begins to publish works that are questioning and then critical, although he'd been very close to Engels. What Bernstein says is this: We're at the end of the nineteenth century. Marx had a definite scenario for the collapse of capitalism. The working class would get poorer and poorer. Capitalism is not able to sustain its slaves and their slavery. There would be fewer and fewer businesses and ultimately only a very few, very large businesses. The middle class is going to disappear. The business cycle is going to get worse and worse, and then finally, with the organization of the working class by the communists, society will have had enough and the socialist revolution will occur.

Bernstein said none of these things is happening.²³ The working people are not getting poorer and poorer—far from it. Of course, there's

happily lost another 5,000 talers in an ill-judged speculation." https://marxists.architexturez.net/archive/marx/works/1862/letters/62_07_30a.htm.

²¹Bakunin wrote of Marx that he lacked Proudhon's concern for freedom because "as a German and a Jew [Marx] is authoritarian from head to toe." See "To the Brothers of the Alliance in Spain," <https://theanarchistlibrary.org/library/mikhail-bakunin-to-the-brothers-of-the-alliance-in-spain>.

²²In recent decades, the Social Democratic Party of Germany was the dominant ruling coalition member from 1998 to 2005 and again from 2021 until the time of this writing.

²³Bernstein, *Evolutionary Socialism: A Criticism and Affirmation*, trans. Edith C. Harvey (New York: B.W. Huebsch, 1909), pp. 203–13, 216–22, 224.

much poverty in pockets—a lot of deep poverty—but we have the most affluent working classes that have existed in Europe. There are very big businesses, but there are more and more small businesses that act as feeders to the big businesses. Anyway, you have the joint stock companies, which means you have a big business, but there can be thousands and thousands of owners of this big business. There is a business cycle, but it does not appear to be getting worse than it has been in the past. So, what are we going to do?

Doomsday for capitalism does not seem to be around the corner, and Bernstein says we have to *revise* Marxism, so his writings are the origin of *revisionist* Marxism. He says there's not going to be any "der Tag"—no coming of "the day"—when capitalism falls, to be replaced by socialism.²⁴ According to Bernstein, we have to work for piecemeal reform through labor unions and through government regulation.

If you think about it, Bernstein's revisionism, which was condemned by the big socialist theoreticians, becomes essentially "socialism"—what is today socialism—as opposed to what became "communism." Bernstein and the other leaders of the German Social Democratic Party and Rosa Luxemburg and, actually, Benito Mussolini and others are all members of the Second International, which is a Marxist international. One of the Russian members, Lenin, is outraged by this revisionism. He asks, How do we have the Marxist, totally planned society that guarantees human dignity and freedom for the first time? How do we have that by means of these small concessions that the capitalists give to the labor unions and government regulation? We *have to* have an overall revolution in order to bring about the radically different planned society that Marx wrote about. That is the socialist aim. So, Lenin opposed revision, insisting on a purer interpretation of Marxism.

Revisionism means different things. This has nothing to do with revisionism in the historical sense, in the sense of rewriting history. This is revisionism in the context of the history of socialist thought. Revisionism became one of the worst, if not the worst, curse words that socialists and communists could hurl against each other. During the Sino-Soviet split of the 1960s, for instance, when the Soviet leadership

²⁴"Der Tag" was a toast, used among military officers in the nineteenth century, to a future momentous victory over one's enemies.

and Mao were at loggerheads, Mao accused Nikita Khrushchev and the other socialist Soviet leaders of being revisionists.

THE COMMUNIST DREAM OF A TOTALLY PLANNED SOCIETY

As we now approach the twentieth century, many people in the Western countries think that a socialist revolution is inevitable. Certainly, in Germany, the socialist party is getting more and more powerful every year and gaining votes and deputies in the Reichstag.

Socialist parties are forming everywhere. In Italy, the real radical firebrand and enemy of the revisionists is a young socialist named Benito Mussolini. In Russia, there's a relatively small socialist movement. After the 1905 revolution, it becomes legal, except that these Marxist leaders insist on talking about overthrowing the tsar, killing the tsar, and so on, and that's *not* legal. So, some of them have to leave the country as Lenin does.

In early 1914, Lenin gave a talk in Zurich, where he was in exile in Switzerland, and he said something to the effect that "you younger socialists who are listening to me now, you will be the ones who will have to carry on the torch of the socialist revolution. I'm getting on in years and nothing has happened so far." The Marxist party in Russia, as a matter of fact, had split into two sections—Lenin's own, the Bolsheviks, and the other section, the Mensheviks—and were just a few thousand people. He didn't have to make it explicit, but how in heaven's name were they going to overthrow the imperial tsarist army—a standing army of two million men and reserves of many, many millions after that? How were these few thousand Bolsheviks going to do that?

Well, history came to Lenin's aid. Actually, what came to Lenin's aid was war and the terrible European war that I'll talk about tomorrow morning. The Bolsheviks were not able to destroy the largest army in the world, the imperial tsarist army. What destroyed the tsar's army was the *German* army. That's what made it possible for the Bolsheviks to take over a shattered, collapsed Russia, and that's what happens in that crucial year of 1917. Richard Pipes has shown decisively, on the basis of not only the latest documentation but also documents that were known before, that the so-called October Revolution—what the communists for decades called Great October or Red October—was

simply a coup d'état by a few thousand Red Guards.²⁵ This happened, first of all, in Petrograd and then in some other Russian towns. That was followed then by the civil war.

(Pipes also wrote a very good book on the role of property in history.²⁶ It's a remarkable book, if for no other reason than with this book we have a Harvard professor, aside from Bob Nozick, who for the first time mentions Ayn Rand.)

Pipes—who is not to be confused with his evil and twisted son, Daniel Pipes—shows it was a coup d'état that enabled the Bolsheviks to come to power. The Bolsheviks win the Russian Civil War and they establish what they afterwards try to call “war communism.” Now, Paul Craig Roberts shows with complete conviction, as far as I'm concerned, that it wasn't “war communism.” It wasn't a special emergency system of measures to deal with the civil war and the war with Germany that was still going on. What it was was *communism*. It was what Lenin and all the other Bolsheviks understood as communism.²⁷

What they tried to do as much as they could was to simply abolish the market. Authentic Marxists, they'd come to power for this reason, to abolish commodity production, and that's what they did. The result was a catastrophe, of course. There were other bad things going on, but abolishing the market was enough to bring the Soviet regime to the edge of the abyss. Lenin understood that. He was always a very good tactician.

This war communism meant abolishing all private economic transactions, which was called “speculation.” If you go to the edge of the town, bring in some of your books to exchange for a sack of potatoes that a farmer was bringing in, you could be shot on the spot by the new Soviet secret police if you were caught doing it. Lenin realized that this whole system of communism, as he said, was premature. This is when, in 1921, he introduced the New Economic Policy of a modified socialism and capitalism, the kind of thing that Gorbachev tried to realize finally in the last years of the Soviet regime but was not able to.

I want to give you an idea of what the communist leaders were actually aiming at. This is a book by Leon Trotsky called *Literature*

²⁵Pipes, *The Russian Revolution* (New York: Vintage, 1990).

²⁶Pipes, *Property and Freedom* (New York: Vintage, 2000).

²⁷Roberts, *Alienation and the Soviet Economy*, p. 14.

and Revolution.²⁸ It's famous, most of all because of its last ridiculous sentences about what will happen eventually in communist society. He says, "The average human type will rise to the heights of an Aristotle, a Goethe, or a Marx. And above this ridge, new peaks will rise."²⁹ As I remarked to a friend of mine one time, "that'd be a really hard class to teach." Those lines are quoted by Ludwig von Mises, among other people. But the whole of the last few pages is very instructive because Trotsky was, in a conventional intellectual sense, the most brilliant of the Bolsheviks. Robert Conquest also calls him the most ferocious, for good reason.

Trotsky certainly was intellectually adept. He understood the connection of ideas, and this is what he understood as what was being aimed at, what the whole purpose of the Bolshevik Revolution was, the whole purpose of bringing communism to Russia: in the end, what's going to happen is that "man" will "free himself from mystic and every other intellectual vagueness and his effort will be directed to reconstructing society and himself in accord with his own plan."³⁰ By the way, notice—and this goes throughout Marx and Engels, whom I discussed before—this odd notion that the human race is somehow one person—"man"—who has one plan to reconstruct "himself." This evidently was seriously the way these people thought.

For instance, Trotsky writes, "The imperceptible ant-like piling up of quarters and streets, brick by brick, from generation to generation, will give way to titanic constructions of city villages with map and compass in hand."³¹ It's a sort of urban renewal writ large, and we see that idea of the city villages that became a standard with modern architects who essentially were communists. Trotsky continues: "Communist life will not be formed blindly like coral islands, but will be built consciously, will be tested by thought, will be directed and corrected."³²

Even purely physiologic life will become subject to collective experiments: "The human species, the coagulated *homo sapiens*, will once more enter into a state of radical transformation, and in his own

²⁸Trotsky, *Literature and Revolution*, trans. Rose Strunsky (Ann Arbor, MI: University of Michigan Press, 1960).

²⁹*Ibid.*, p. 256.

³⁰*Ibid.*, p. 244.

³¹*Ibid.*, p. 249.

³²*Ibid.*, p. 254.

hands, will become an object of the most complicated methods of artificial selection and psychophysical training.”³³ It’s a good thing that the genome didn’t fall into the hands of these people.

For Trotsky, it will become possible “to reconstruct fundamentally the traditional family life,” and as for reproduction, “the human race will not have ceased to crawl on all fours before God, kings and capital, in order later to submit humbly before the dark laws of heredity and a blind sexual selection!”³⁴

You understand? “Blind sexual selection,” which is what happened up until now—you know, the boy-girl thing. That’s blind sexual selection. It will all be planned. More from Trotsky: “Man will make it his purpose to master his own feelings, to raise his instincts to the height of consciousness, to make them transparent, to extend the wires of his will into hidden recesses and thereby to raise himself to a new plane, to create a higher social biological type, or, if you please, a superman.”³⁵

That is the ultimate in total planning. The development, step by step, of everything that happens in society is consciously planned beforehand. I think Trotsky made this Marxist idea somewhat more explicit. The Marxist idea is not simply better housing and better healthcare and that kind of thing. It is *total planning*. It’s metaphysical. Malia understood that and Kołakowski understood that.

Well, Trotsky lost out in his battle with Stalin, the leadership after the death of Lenin. Stalin was not, by any means, as agile and intellectual a thinker as Trotsky was, and he had his problems. But before you can go on to this planning of the total psychobiological nature of man, you have to produce enough drawing paper, and so on, the sort of things that the Soviet regime never succeeded in doing. So, Stalin was taken up by economic problems for a long time.

THE SOVIET COMMUNIST THREAT IN EUROPE

One of the things that’s important to understand—that didn’t depend on modern research and the opening of Soviet archives but is *confirmed* by such research and opening of archives—is that the Stalinist system was put into place in its beginnings by Lenin.

³³Ibid., pp. 254–55.

³⁴Ibid., p. 255.

³⁵Ibid., pp. 255–56.

The first labor camps, for instance, were set up under Lenin, as were the Soviet secret police that afterwards became the NKVD and finally the KGB. This was put into effect by Lenin under the name “the Cheka.” One thing I mentioned last time that’s going to be of great significance is the Comintern—the Communist International—set up and brought into existence by Lenin. It was the organization of all communist parties in the world. There had been socialist parties and socialist movements and factions in many different places. After the communist takeover in Russia, what Lenin does is offer an invitation to all of these different socialist groups to join his new Communist International and change their name to “Communist Party.” For instance, the CPF, the Communist Party of France, the CPUSA, the CPM, the CPC, Communist Party of China, and so on. Then, you obey the regulations and rules of the Comintern and they have conventions from time to time. The Comintern doesn’t make any secret about its program. The program is not anything that the FBI has to go and find out, because the Comintern’s goals could be found in the newspapers. It openly proclaims that the aim is the overthrow, by elections—well, that’s not too likely, the bourgeoisie is going to react to that—or by force, whenever necessary, of every bourgeois government in the world. These bourgeois governments are to be replaced by communist governments.

Lenin was enough of a Marxist to realize that according to his theory, you really can’t have communism in one relatively backward country alone—and Lenin thought Russia was relatively backward. However, the revolution in Russia would begin to spark the world revolution. So, then you would have the revolution in Germany, in Britain, in America, and more advanced countries. And then you would have a world communist community. So, the Comintern’s aim was to bring about these revolutions everywhere. Germany was the one he was most interested in, for obvious reasons. Geopolitically, whoever controls Russia and Germany is about to control the Continent, and you can have England on the periphery there. But get hold of Europe and then European colonies, and then the world revolution would *really* be underway.

This Comintern was a mortal threat to everybody who was not a communist in Europe, including socialists, including the German SPD, and the socialists of the German Social Democratic Party, who broke with Lenin.

It had some consequences that were extremely unfortunate. Nowadays, very often the history of fascism—let’s say Italian fascism or

German Nazism (National Socialism, sometimes called a kind of fascism)—these histories are written as if they occurred in a vacuum. In Germany, for instance, it is mentioned that there were elements that pointed in this authoritarian direction in previous German history. In Italy, the “Italian Problem” and the weakness of the Italian state are brought in. It is not made nearly clear enough that Italian fascism certainly and German National Socialism to a large degree were the product of the communist threat. This is demonstrable in the case of Italy, where the Italian Socialist Party became the Leninist party and openly threatened a Leninist revolution in Italy. The Italian fascists who supported Mussolini didn’t amount to anything until the public became very scared of this. The public feared the takeover of the factories by the Leninist unions and the takeover of the land of the Po farmers by squatters under the direction of sympathizers with Lenin. The announcement by the leaders of the Italian Socialist Party that the Leninist revolution is around the corner—this empowered the Italian fascists that begin to get their support from the middle class and from businesses.

Without any communist threat, Mussolini wouldn’t have amounted to anything. To a large extent, that’s also the case with the National Socialists in Germany. To many American historians, it’s not very much of a big deal if you were a German or an Italian or a Pole or a Spaniard at the time of the civil war and you had to live on the same continent with a power that told you that its aim was the forceable overthrow of your government in order to impose on your country the kind of system that they had in Russia.³⁶

The Polish-Soviet war of 1919–20 was part of this plan. When the war began between the new republic of Poland and the Red Army—led and organized by Trotsky—Soviet forces invaded Poland. As we know now—this came out from archival documents, and Pipes has written about this—Lenin expected the Polish peasants and workers to greet the Red Army with open arms.³⁷ Bounties were offered for anybody who would hang a priest or a landlord. The executions took place on the way, and Lenin and his friends were looking forward to a

³⁶Pipes, *Russia under the Bolshevik Regime* (New York: Vintage, 1995), pp. 178–83. Pipes details Lenin’s plans to “Sovietize Poland” and for “opening a general offensive against the West.”

³⁷V.I. Lenin, *The Unknown Lenin: From the Secret Archive*, ed. Richard Pipes, trans. Catherine A. Fitzpatrick (New Haven, CT: Yale University Press, 1998), pp. 95–100.

Red Poland. What happened was that the Polish people, under General Józef Piłsudski, met the Red Army at the Vistula and stopped them. Then, some compromise was reached between Russia and Poland for a while, but the Poles from then on, as you can imagine, were terrified of the possibility of a Soviet takeover by their big neighbor. People knew what was happening in the Soviet Union, such as mass famine in 1921 under that so-called war communism. People also feared mass terror, such as the Red Terror of the Cheka and the Soviet government's open, massive attempt to extinguish and annihilate Christianity. People knew what this communist regime entailed. Many of them fled into the arms of demagogues like Mussolini and, afterwards, Hitler.

The crimes of the Nazis were one of the worst things that have ever happened in history, but I think we know a lot about them. I think in many cases, we're informed about them. In my case, I try to keep up with things, so I'm informed about them every single day of my life—literally every single day of my life—in what I read and on the internet, and so on. I hear about things like the Holocaust that I'm pretty sure I'm not going to forget. However, the crimes of Soviet communism are much more rarely mentioned and figure much more rarely in the minds of people. The average person doesn't know the first thing about them. I don't think that the average person has ever heard of Kolyma or Vorkuta, which were massive slave labor camps. The average person certainly has not heard about the Ukrainian and North Caucasus famine that took—we don't know exactly—six, seven, or eight million lives.

Walter Duranty, the lying, deceptive, duplicitous rat who was a *New York Times* correspondent and won a Pulitzer Prize for his reporting from the Soviet Union, said that there was no famine going on. He privately said that probably about ten million people had died, when he had to report to British intelligence.

Duranty won the Pulitzer Prize for the *New York Times* in 1932. There's now a movement to take his Pulitzer Prize away from him, on the model of the Bancroft Prize being taken away from Michael Bellesiles, this lying historian from Emory who said nobody in early America had guns and they hated guns. The idea is maybe somebody at the Columbia School of Journalism should think, posthumously, to take Duranty's prize away from him.³⁸

³⁸Raico is referring to the Michael Bellesiles controversy in which Bellesiles, in his 2000 book *Arming America*, was exposed for using fraudulent research in

Now, why should this be? There's a very good book written by Anne Applebaum called *Gulag*.³⁹ The gulag, as you probably know, is the name—it's a Russian acronym—given for the system of forced labor camps.⁴⁰ And Aleksandr Solzhenitsyn, who was temporarily an inmate, wrote three volumes called *The Gulag Archipelago*, and the concept there is that these camps were spread like an archipelago of islands throughout the so-called Soviet Union.⁴¹ Actually, it's not correct to concentrate on the gulag. More victims of Soviet communism died outside of the gulag than died there in the camps. For instance, in the terror famine or in the constant executions.

Anne Applebaum is an excellent, brilliant journalist—and more than a journalist, a very good historian. She's written before about this issue. In one of her articles, she pointed out that President Clinton some years back went to visit Minsk, which is the capital of what used to be called White Russia and now goes by the name of Belarus. Clinton had heard that there was a big killing field outside of Minsk, which in fact there was, of thousands of people, tens of thousands probably, who had been executed by the Soviets during Stalin's time. Clinton asked the president of Belarus to be brought there to say something about it, and the president of Belarus said, no, we don't want to wash our dirty linen in public.⁴² There's no need to go back to all that old stuff. That's water under the bridge. Let's just go on from here.

Now, contrast that with what's done in regard to the crimes of the Nazis, where memorials and museums are set up all over the world—

claiming that privately held guns were rare in the early decades of the United States. Bellesiles's Bancroft Prize was subsequently revoked. Raico jokes in an aside about Bellesiles's claims: "Oy vey, yikes, yikes! Guns, in colonial times. It's the last thing on the mind of anybody in the American frontier to have a gun. Or you can just call 911 and the cops will show up if there's a problem with the Indians."

³⁹Applebaum, *Gulag: A History* (New York: Doubleday, 2003).

⁴⁰The abbreviation "gulag" comes from the Russian phrase for "Main Directorate of Correctional Labor Camps."

⁴¹Solzhenitsyn, *The Gulag Archipelago, 1918–1956: An Experiment in Literary Investigation*, trans. Thomas P. Whitney, 3 vols. (New York: HarperPerennial, 2007). The three volumes were originally published from 1958 to 1968.

⁴²See Applebaum, "A Dearth of Feeling," originally published in 1996. <https://www.anneapplebaum.com/1996/10/11/a-dearth-of-feeling/>. The location in question is the Kuropaty forest near Minsk.

which, one might argue, they *ought* to be. But here, nobody wants to know about the places where millions suffered and died at the hands of communists. This is one reason this woman, Applebaum, feels the need to bring this out, to tell people about this.

In general, this is the attitude of the Russian people. Their idea is it makes Russians look bad to keep talking about all these crimes of Stalin because, in point of fact, yes, many of the Russians were people who were accomplices to this, of course. This is true in East European countries as well. So, you have a completely different attitude about the Soviets than the Nazis. In regard to Hitler's crimes, there's a constant limelight shining on it. In regard to Soviet crimes, there's been an attitude of, "Let's forget about it. Let's put it behind us." Nonetheless, people like Applebaum—or, years ago, even before the Soviet archives were open, the great British historian Robert Conquest—did investigate these matters, and there is, for anybody who cares to look into it, a substantial literature on the subject.⁴³ Now, one reason that we don't know very much about this even now—and certainly a reason why we didn't know about it when it was happening—is because of a very peculiar bias on the part of the intellectuals.

⁴³See Conquest, *The Great Terror: A Reassessment* (New York: Oxford University Press, 1990).

Lecture 9

The First World War

Much more could be said about the intellectuals and their opposition to the market, the soft spot they have in their hearts for communism and for Marxism, and the double standard they apply to the crimes of communism vis-à-vis the crimes of National Socialism. National Socialism they consider—understandably enough—a racist philosophy, but one that is very limited in its application, whereas communism is a universal philosophy holding out hope for all of mankind. These intellectuals consider communism to be a kind of successor to the Enlightenment idea or an outgrowth of the Enlightenment idea.

INTELLECTUALS, POLITICAL POWER, AND WAR

Here what you have is the intellectuals' typical proclivity for replacing actual reality—the crimes, for instance, that are committed in reality—and preferring to deal with rhetoric and the way people of different ideologies present themselves. But it's not only against the market that we find intellectuals reacting. Intellectuals have another proclivity, which in a way is another aspect of the opposition they tend to show to the market: they are *propower*. Intellectuals are drawn to power.

This is very easily demonstrated. One of the best things that Jeff Tucker ever published in the *Free Market*—and there have been very many very good pieces in the *Free Market* and continues to be—is an article by Robert Higgs titled “No More Great Presidents.”¹ What

¹Higgs, “No More Great Presidents,” *Free Market*, March 1997, <https://mises.org/free-market/no-more-great-presidents>.

Professor Higgs was objecting to were the lists of “great” presidents, or “near greats,” that American historians come up with every once in a while. I think you’ve probably come across that at one time or another. The “great” presidents—aside from George Washington—are the war presidents. (Washington was not a war president in his own day but had previously been a war hero.) It’s in war, really, that presidents seem to show their “greatness.” Altogether, the great presidents are the ones who tend to centralize power in Washington and increase the power of the state. Higgs analyzes this: Why should this be, that historians, an important subset of academic intellectuals, tend to glorify presidential power?

The tendency of intellectuals to identify with power will be evident in the subject I’m going to be discussing today, which is the First World War.

I happen to have an essay on the First World War, and also an essay on Winston Churchill, in a book called *The Costs of War*.² The First World War was indeed “a turning point,” which is the subtitle of my essay there. If you can imagine a twentieth century without communists and without Nazis, that’s very probably what we would have had without the First World War. Instead, the war eventuated in a vast extension of state power in every country—in the United States in particular—and a great retreat of the social power, of the civil society. Earlier, I talked about Robert Higgs’s book *Crisis and Leviathan* and his analysis of the role of ideology in general.³ But, as far as the specifics of the growth of American power and what took place in America during the First World War, it’s an extremely valuable book.⁴

The First World War also produced—in all the belligerent countries—a psychological trauma. There was a break in the Western psyche, you might say, such that things that people generally accepted

²Ralph Raico, “World War I: The Turning Point,” in *The Costs of War: America’s Pyrrhic Victories*, ed. John V. Denson (New Brunswick, NJ: Transaction, 1999), pp. 203–48. See also Raico’s essay “Rethinking Churchill,” *ibid.*, pp. 321–60.

³Higgs, *Crisis and Leviathan: Critical Episodes in the Growth of American Government* (New York: Oxford University Press, 1987).

⁴Raico here also recommends his essay “Harry S. Truman: Advancing the Revolution,” in John V. Denson, ed., *Reassessing the Presidency: The Rise of the Executive State and the Decline of Freedom* (Auburn, AL: Mises Institute, 2001), pp. 547–86, <https://mises.org/library/book/reassessing-presidency-rise-executive-state-and-decline-freedom>.

and believed before could not be accepted and believed in anymore: the idea of progress, the idea of the basic goodness of human beings. That general optimism that had been produced by, with a few exceptions, close to a century of peace—in Europe, at least. This optimism also fostered the tremendous success of science and technology and the great growth in living standards of people. There was a more somber mood after the First World War.

A UNIFIED GERMAN STATE

The single most important fact about Europe in 1914 is the existence of a powerful, unified Germany from the French border to Lithuania and from the Baltic Sea to the Alps. That had come into existence in 1871, mainly through the genius of the Prussian minister—and subsequently German chancellor—Otto von Bismarck.

Looking back, we can see that it wasn't the best solution to the German question. The German question was this: how to unify German lands given that Germany was divided at the Congress of Vienna into thirty-nine different states—some larger like Prussia, some medium-sized like Bavaria, some just city-states like Frankfurt and Hamburg. It was a confederation. Why this came about has its roots in history with the Holy Roman Empire, and so on, but many German intellectuals came to the conclusion that the Germans should have their own state also. The thinking was, "My heavens, the English have had their state for so many centuries: the French, the Spaniards, and then, by the 1860s, even the Italians had a state of their own." The Germans, then, had to have a state also. The difference, let's say, between the Germans and the Italians is that a unified and centralized Germany could very well present, first of all, a temptation to the German leaders and also, then, a danger to the other countries in Europe. This was unlike a unified Italy, which is a bad idea anyway, but would not present that kind of double-edged problem.

Bismarck was a very intelligent man and played a key role in the development of the welfare state. Ludwig von Mises was totally justified in saying, from the point of view of liberalism, Bismarck was the worst disaster of the nineteenth century in Europe in creating this German Reich.⁵ (This was the "Second Reich," as it's called, and Hitler

⁵Mises, *Omnipotent Government: The Rise of the Total State and Total War* (New Haven, CT: Yale University Press, 1944). Mises repeatedly criticizes Bismarck

called his own the Third Reich. The First Reich was the Holy Roman Empire.)

He did create a centralized state, whereas there could have been other possibilities. There could have been a stronger confederation of the German states, such that they agreed to go to each other's defense in the case of attack by some other power like France or Russia. That would have preserved peace in Central Europe, but it would have made it very difficult for Germany to engage in an aggressive policy.

There's an interesting book on the American Civil War, consisting of Civil War writings, edited and collected by famous American literary critic Edmund Wilson, called *Patriotic Gore*. It's interesting because of its introduction by Wilson, and Wilson here very perceptively compares Bismarck to Abraham Lincoln as the creators of powerful modern centralized states.⁶ Lincoln does this in America by crushing the South, and Bismarck by uniting all of the Germans into one state. Once Germany was united, though, Bismarck remained chancellor or prime minister of the German Empire for another twenty years. So, the story doesn't end with unification of Germany. Bismarck, however, was mainly concerned with preserving a general European peace. His idea was, "We've just become, for the first time, a united Germany. We have to learn to have all the different parts of Germany—what the Germans thought of as tribes: Bavarians, Saxons, and so on—welded together over time." This does take time, so that if a general war broke out, this could disturb this fragile, recently acquired German unity. So, Bismarck tried in every way possible—through a series of defensive alliances—to preserve the peace. They were *defensive* alliances—that is, they oblige both sides to remain neutral, in case one of the other partners was attacked, and did

in the pages of *Omnipotent Government* and writes, "Bismarck and his military and aristocratic friends hated the liberals so thoroughly that they would have been ready to help the socialists get control of the country if they themselves had proved too weak to preserve their own rule" (p. 31). Mises also condemns Bismarck in *Planning for Freedom*, writing that Bismarck's Sozialpolitik program has "a fair claim to the epithet Marxism." Mises also described the modern "progressive" and interventionist ideology as "the Bismarck orthodoxy," to be contrasted with the free market, liberal "Jefferson orthodoxy." See Mises, *Planning for Freedom* (South Holland, IL: Libertarian Press, 1974), pp. 2, 96.

⁶Wilson, *Patriotic Gore: Studies in the Literature of the American Civil War* (New York: Oxford University Press, 1962), pp. xvi–xvii.

not oblige them to enter into any kind of aggressive alliance with Germany. The first one was between Germany and Austria-Hungary.

Let me tell you something about Austria-Hungary since Austria-Hungary is going to be the immediate scene and cause of the First World War. It had been the Austrian *Empire* up until the time of 1866 when Austria lost the war to Prussia. Then, in 1867, the Austrians being kicked out of Germany, as they had been kicked out of Italy by the Italians, thought that they had to somehow accommodate what they saw to be the major nationality, aside from Germans, in the empire. The great characteristic of Austria-Hungary, and one reason many people have a strong sentimental attachment to it—as I do, for instance—is that it was a collection of different nationalities.

Here's an example: When the last person to sit on the throne of Austria-Hungary, the empress Zita, died a few years ago, there was a great state funeral for her in Vienna. A pure-black, hearse-type coach was driven by six black stallions and brought her body to the Great Cathedral at Saint Stephen's. This was a prelude to being buried in the Capuchin abbey in downtown Vienna.

At Saint Stephen's Cathedral, prayers were set for her in ten major languages of the Old Empire. That doesn't include all of the languages but the ten major ones. First of all, you had the Germans, who were in many ways the dominant nationality, the traditional lands of the Habsburgs—basically, Vienna and the Alps. Then, there were the Germans in the Sudetenland and Germans spread throughout the empire. Then there was the whole Hungarian nation in the great plain of Hungary, on the other side of the Carpathian Mountains. Then, we have the Slavic peoples. We have the Czechs, the whole Czech nation in Bohemia and Moravia. We have the Slovaks. In Galicia, we have the Poles and the Ruthenians. We have the South Slavs, the Croats, the Serbs, the Slovenes, and Italians in Trieste. There were the Romanians, mainly in an area called Transylvania, and those are the major groups.

Near the Serbs there is Bosnia with Slavic-speaking Muslims. (By 1914, there is a country called Serbia, while, on the other hand, there are Serbs living *within* the Austro-Hungarian Empire.) Throughout the empire, there were hundreds of thousands of Gypsies and a couple of million Jews. The Habsburgs favored the Jews very much, because unlike all these other groups of the empire, the Jews didn't claim some section of the empire as their own territory. They were very loyal to the Habsburgs as the Habsburgs were to them.

The first treaty that Bismarck brought about was one between Germany and Austria-Hungary. Then, in 1882, there was another treaty with Italy, creating the Triple Alliance.⁷

With Italian unification, they now considered themselves one of the great powers. So, as a great power, they had to have a navy, they had to have an army, and above all, they had to have an empire. The Italians were looking on Arab territory in Tunisia as a future colony. It is quite near Sicily. But in 1881, the French took over in Tunisia. In a fit of pique, the Italians then turned and entered into the alliance with Germany and Austria-Hungary, and that became the Triple Alliance. Bismarck worked on the very sensible assumption that there was no way of getting an alliance with France. In fact, France had to be isolated, and a major reason for this was that one major mistake of Bismarck's: in the 1871 treaty ending the Franco-Prussian War, the Germans annexed Alsace and part of Lorraine. Those are French provinces, and that was not something the French were going to forget. So, we have now the Triple Alliance, and in addition to that, Bismarck had meanwhile made sure that there was an alliance with Russia. He always got along well with Russia. He saw no reason for any conflict between Germany and Russia, and England doesn't count at this time because they are in this period of splendid isolation.

But Bismarck is then dismissed by the new kaiser, Wilhelm II, and the treaty between Germany and Russia, when it comes up for renewal, is allowed to expire. The idea was, "How could a still-absolutist monarchy like Russia ally with Republican France?"

Well, that's exactly what ends up happening because countries don't go by the ideology of other countries but by what they consider as their own self-interest in allying with one country against another and possible danger. So, in the 1890s, there comes into existence, through a series of political and military treaties, the Franco-Russian alliance, now facing the Triple Alliance. (It's a fact that of all the boy babies born in France in 1892, one-half will die or will be killed or wounded in the First World War. That's one of the nasty surprises that history has in mind for the Western peoples.) Now, the French and English

⁷Raico was not a fan of the Italian ruling dynasty. In an aside here, he mentions the House of Savoy, which he calls a "vicious, corrupt, unspeakably evil government in Rome," which "must be the stupidest house and ruling family in European history—one loser after another."

come to an agreement, although there have been problems between the two of them.

Still, French diplomacy was brilliant at this time, and an entente is formed. It's not a formal alliance, as between France and Russia, but an "entente cordial" alliance between England and France. Nothing is written in a formal treaty, and the British people themselves are not aware how over the next few years—after 1904—their government agrees to more and more obligations and duties in case of war. In military conversations between the French and the British military and naval leaders, England begins, at least in the minds of the French, to agree to more and more obligations and duties in case of war. Britain entwines itself more and more with the military and naval policy of France. Then, in 1907, England and Russia come to an agreement about the different problems that divide the two countries. What is known to history as the Triple Entente of Great Britain, France, and Russia then comes into existence.

THE COLONIAL EMPIRES, THE ARMS RACE, AND PAN-SLAVISM

Let's now consider the role of colonial empires. The Russian Empire does not have overseas colonies, but it's a tremendous imperialist enterprise. The tsarist Russian Empire goes through eleven time zones. In 1914, the British Empire is mighty but not even at its height, because it gets larger after the First World War. But at the beginning of the war, it includes about one-quarter of the land surface of the globe and one-quarter of the population of the human race. America has certain colonies, as you can see, by 1914. We could include Alaska but especially the Philippines, which was taken over after the Spanish-American War, where America then becomes an Asiatic power. By then, already in the imagination of some Japanese and American military people, America is on a collision course to an eventual war with Japan.

But it's European powers that are most interesting. Spain still has colonies in 1914, such as Rio de Oro, as do the Germans. But the Germans have very poor pickings, such as German South West Africa, which includes the Kalahari Desert. There is also Tanganyika, part of the Cameroons, one-quarter—or less than a quarter—of New Guinea, and a few islands in the Pacific. The Germans don't have very much of an empire at all, which annoys them very much.

The French have a vast empire in West Africa, also Madagascar, and also French Indochina, which includes Cambodia, Laos, and Vietnam. There are other, smaller empires. The Italians by this time are doing their thing: they're collecting deserts. This includes areas such as Somalia, Eritrea, and Libya. From the Italian perspective, it's better to have deserts than nothing at all—although this costs money and human lives. But it makes the Italian leaders feel really good. So, we have Germany and we have Austria-Hungary, wracked with all kinds of nationalistic tensions. In the minds of most Europeans, it's about to fall to pieces, really. It's not going to outlast the old kaiser Franz Joseph. Italy, since it entered into the Triple Alliance, has been negotiating behind the scenes with France for advantages which would enable it to leave the Triple Alliance.

Here is the way things look from Berlin: If you're talking about any possible future conflict, the Germans are faced with the world's single superpower, and that's Great Britain, the center of a vast empire and the center of finance. Berlin also faces France and its empire and the second-best army in the world. Berlin also faces the vast Russian Empire, with the largest army in the world, by far.

The question of imperialism is of importance in a certain way. World War I does *not* come about because of imperialist conflicts of the European powers in the third world—in Africa or anywhere else. In that area, the French and the British, the Russians and the British, have more conflicts with each other than the British and the Germans have. However, imperialism is, in a way, at the root, or *one* of the roots, of the First World War. A historian named Niall Ferguson has recently written a book about how great the British Empire was and saying that the American Empire could be great also.⁸ For Ferguson, the Americans have an empire and they could make it into a great empire, the successor of the British Empire—but the Americans probably don't have the heart for it to go on for years and decades and to build up an empire the way the British did. For Ferguson, that's a flaw on the part of the American people.

However, what Ferguson does not take into consideration is this: leaving aside the debits and credits of the British Empire in the third world, one thing the British Empire did was to give the impression

⁸See Ferguson, *Empire: How Britain Made the Modern World* (New York: Penguin, 2004) and *Colossus: The Rise and Fall of the American Empire* (New York: Penguin, 2005).

to all other Europeans that British greatness and British wealth *was based on their empire*. So, British imperialism encouraged imperialism among other European people. This very much in particular encouraged imperialism on the part of the German leaders and Kaiser Wilhelm II, the man who dismissed Bismarck and was going to be the last German kaiser. The kaiser undertakes to stir things up, as he says, to win Germany's place in the sun. Unfortunately for the Germans, most of the world is taken up, although there is still China, that's being eaten alive by the Europeans, and other possible areas.

But in order to create a worldwide German empire, what would be necessary? What is the *sine qua non* of a German empire overseas? It requires an oceangoing German navy, and that's what the kaiser undertakes to build for the first time in German history. That's what, more than anything else, puts Germany on a collision course with England. In the British Foreign Office, high officials write memos to the effect that the world cannot endure a country which possesses the most powerful army in the world *and* also an immensely powerful navy. This is a threat that will have to be dealt with. There is, then, a British-German rivalry over the navy that goes on and it is a major eventual cause of the war. That's one of the aspects of the arms race that's going on among all the major powers.

You were born into an arms race. I pretty much grew up in an arms race. Arms races were not normal in the nineteenth century. You had a certain military capacity, and if war broke out, then you'd have to expand it. From 1900 on, all countries are constantly expanding their military and naval capacities, and they're using all of the fruits of modern technology, incorporating them into their military arsenal. This includes airplanes and the telegraph but then also new armaments of all kinds: more powerful artillery, more powerful explosives. These arms programs are, naturally enough, promoted by the arms industries in all countries. Everybody knows about Krupp in Germany, but there was Schneider-Creusot in France and Vickers in England, Škoda in Austria, and, in America, Bethlehem Steel, more than anything else, built the oceangoing American Navy. DuPont was also involved.

So, there's this arms race, and countries are becoming more and more ready to go to war. There were diplomatic crises that occurred between 1900 and 1914, over Morocco, over Bosnia. There's the Balkan Wars, which meant that by 1914 the Balkans had a much different configuration than they had in 1900. There were two Balkan wars between the small Christian powers and the Ottoman Empire, which

to begin with had a big chunk of the Balkans in 1900. But these two Balkan wars then produced a new configuration of states in the region. The Ottomans were nearly thrown out of Europe, and they were left with pretty much what they have today. There was a larger Bulgaria, with access to the Aegean, and a much larger Serbia, which just about doubled in size. Thanks to these crises, when the crisis of summer of 1914 breaks out, Serbia was a particular problem.

At one time in the nineteenth century, the Austrians actually possessed Lombardi and Venezia, and in the course of the unification of Italy, the Italians, mainly with the help of the Germans, and then afterwards with the help of Bismarck, took those provinces away from Austria and added them to the united Italy. At one time, the Austrians were in charge of the German Confederation that had been set up in 1815, and in that sense, Austria was a major German power. Well, Bismarck, in unifying Germany, threw the Austrians out of Germany. In Belgrade, there are leaders in Serbian society, and there are intellectual leaders who say, "If it's good for the Italians, if it's good for the Germans, why can't it be good for the South Slavs? We'll defeat Austria also and create a Greater Serbia. What are you—a racist? Why can't the Serbs do it if the Germans and the Italians did it? We will create a Greater Serbia or maybe even, with the Serbs over here and the Serbs in Bosnia, unite them with the Croats and the Slovenes and other South Slavs and create a South Slav state, or a 'Yugoslavia.'"

Now, Serbia *itself* is not going to be able to do anything. Austria-Hungary is not militarily very powerful, but it can handle Serbia. On the other hand, keep in mind that by the time of the conclusion of the Second Balkan War in 1913, Serbia has doubled in size, and they figure that in case of need, they can put five hundred thousand men in the field. Beyond that, they have a powerful friend, the big brother of all the Slavic people—except the Poles, who don't really consider them a big brother—the Russians. There is pan-Slavism, the idea that there should be a unity among all the Slavic people who are, in terms of population, the largest group in Europe. The idea is there should be a union of all the Slavic people, led of course by the major Slavic power—and in fact, aside from Montenegro and Serbia, the *only* independent Slavic power—Great Russia. This is the doctrine of pan-Slavism. Many of the leaders of Russian society and in the government and elsewhere were adherents of this view that there should be such a unity.

Unfortunately for Europe, a movement such as the pan-Slavic movement—or, let's say, the creation of a Yugoslavia—would mean

the breakup of the Austro-Hungarian Empire. In other words, it would mean the destruction of one of the great powers, which is a very, very serious thing. It means the destruction of Austria-Hungary, because if the South Slavs are going to secede, then the Czechs and the Slovaks are going to demand something, and the Romanians probably would take advantage too. Transylvania is populated to a degree by Hungarians but mainly by Romanians. Pan-Slavism would be the breakup of the empire and, among other things, militarily speaking, it means that the whole southern flank of Germany is now exposed.

This is the problem of Austria-Hungary in connection with Serbia. Well, there was a crisis, and the crises were weathered up until the summer of 1914. It's a very dramatic story, a very interesting story. I tell part of it in my essay in *The Costs of War*.⁹

WAR BREAKS OUT

At this point, there have been tensions in Europe for a long time. Everybody knows about the two different alliance systems that are facing each other. Everybody has contingency plans in the event of war. The most famous major contingency plan is the one that the Germans have, and that's called the von Schlieffen plan. (Von Schlieffen was the head of the German General Staff.)

The Germans are concerned with what to do in the event of a war against Russia and France at the same time. In other words, What to do in the event of a two-front war? The basic idea of the Schlieffen plan is that you can't simply divide the German forces in half. Cut in half, the part in France would be inferior to the French forces. The other half in the east would be inferior to Russia.

So, the concentration would have to be in France first because you really can't knock Russia out of the war quickly—they have all that territory to retreat to. So, concentration would be in France to knock France out of the war as quickly as possible. Then, while the Russians are laboriously mobilizing—it was kind of still a backwards society in many ways—and the French are effectively defeated, then the German army is shuttled east with the excellent system of German railroads. The Germans engage the Russians at the eastern front, beating

⁹In an aside here, Raico recommends Thomas Fleming, *The Illusion of Victory: America in World War I* (New York: Basic Books, 2004).

the Russian army probably somewhere in East Prussia and defeating them. In order to defeat France quickly—because the Vosges Mountains are not a favorable territory for an invasion—a decision is made to go through Belgium. (Belgium’s neutrality was guaranteed by the European powers, and that becomes the excuse that the British used to get into the war.)

The Austrian archduke is assassinated in Bosnia at Sarajevo by “terrorists”—or “freedom fighters”; it depends on which side you’re on—by people who want to strike a blow against Austria-Hungary by assassinating the heir to the throne. It was known that the throne would very quickly become vacant because Francis Joseph was so old. So, Bosnian Serb students are recruited by a secret society inside Serbia to assassinate the archduke, which is what they do. The Austrians say this is the last straw: the Serbs have been aiming at the destruction of the Austrian Empire for a while with previous assassinations of lesser officials. The Austrians decide to put an end to the Serbian threat. They get the okay and the support of Kaiser Wilhelm, and then things start happening very quickly in the last days of July 1914.

We know a lot about it. Everybody published their memoirs afterwards, everybody was sending telegrams from one place to another, so those are on the record. Many of the secret conferences in the governments have been made public. We know a lot about what happens, which is essentially that Austria declares war on Serbia after Austria sent an ultimatum to Serbia demanding concessions that the Serbs couldn’t possibly give without basically giving up their sovereignty. The ultimatum is phrased in such a way that the Serbs would turn it down so that the Austrians would have an excuse to invade and to do away with Serbia once and for all—and divide it up. When, in Saint Petersburg, the Russian foreign minister Sergei Sazanov sees the text of the Austrian ultimatum, he turns to the Austrian Ambassador and says, “C’est la guerre européenne.”—“This is the European war.” This is the war that we’ve feared for so long, and as he said, “You’ve set fire to Europe.”¹⁰

The Austrian position is that the conflict “is a question of our survival.” The thinking was that if Serbia can get away with this, very soon it will be the end of a very ancient empire, and a country, a nation, is

¹⁰G.J. Meyer, *A World Undone: The Story of the Great War, 1914 to 1918* (New York: Delta, 2007), p. 44.

entitled to fight for its survival. What are the Russians fighting for? They're fighting for prestige and for one of their protégés. So, the Russians begin to mobilize, and in Berlin the admirals and the generals approached the kaiser and say, "Look, the von Schlieffen plan depends on the rapid deployment of German forces into France before the Russians can mobilize and then invade from the east. So, we have to start the army in motion." The kaiser delays as much as possible and sends letters to his cousin, the tsar "Nicky," seeking Russian demobilization and signing them "Willy."¹¹

Nonetheless, the Russian mobilization goes ahead. The Germans then send an ultimatum to Russia and to France. The ultimatum to France says, "Tell us if you will guarantee that you'll stay out of this war that's looming between us and Russia, and if you're going to guarantee that, then would you kindly hand over the fortresses of Verdun and Toul to our forces to occupy, as a warrant of your good faith?"¹² (The fortresses control the eastern approaches to Paris.) The French don't provide an answer. The Russians don't stop their mobilization, and on August 1, Germany declares war on Russia, and on August 3 on France, and the Great War started.

England enters the war in this way. It cannot be emphasized too much that the British public knows nothing about any obligations or guarantees to France. The British Parliament knows nothing about that. The majority of the British *cabinet* knows nothing about that. But the French now go to the English and say, "Look, all these years, you've made it very clear to us that if we got into war with Germany, you were going to come to our aid. You told us that you would take over the protection of the English Channel so that we could concentrate our forces in the Mediterranean against a possible war with Italy. You said that you were going to be landing an expeditionary force.

¹¹The two monarchs corresponded in English and used these nicknames. These letters and telegrams would later be called the "Willy-Nicky correspondence."

¹²D.H. Cole and E.C. Priestly, *An Outline of British Military History, 1660–1936* (London: Sifton Praed, 1936), p. 305. The German ultimatum was delivered July 31 and called on France "to surrender her frontier fortresses of Verdun and Toul to German occupation." The demand that France surrender portions of its line of fortifications to the Germans was likely included as a means of ensuring the French would refuse, therefore giving the German regime an additional reason to invade France.

Where's your declaration of war against Germany?" The British government we're talking about is a very small elite. For all practical purposes, it could have been Nazi Germany or any dictatorship at this moment. The public had no say in whether they were going to go to war. They knew nothing about the situation. Parliament knew nothing about the situation. The cabinet was only told now that they were about to go to war.

Well, the Germans came to the aid of Britain and marched into Belgium and that was the excuse the British government used: that Britain has always fought for the rights of small peoples. In the House of Commons, there was somebody in the back who said, "What about Ireland?" and he was arrested and shot.¹³

I have to say something about this: Do you know the word "cant"? It's untranslatable, really, into any other language. It's Anglo-Saxon and Anglo-American. "Cant" is what you use when you talk as if not only is God on your side but he's whispering into your ear everything that's good, everything that's virtuous, and that's what you stand for. For the user of cant, the enemy stands for the opposite of everything that's good. The use of cant is an old tradition in England, taken over then by the American governments and the Americans continually through the twentieth century.

England sends an ultimatum to Germany about Belgium. Now the British are in the war.

THE INTELLECTUALS AND THE FIRST WORLD WAR

In these days, war was greeted with jubilation by the people. Eyewitness accounts tell of huge crowds in Berlin and Saint Petersburg and Vienna and Paris and London. People were wild with enthusiasm because war has broken out. Many were critical of all of this namby-pamby peace that had been going on so long. It was peace that capitalism flourished under and allowed millions and *hundreds of millions* of new human beings to come into existence because of the development of the market and capitalism. Well, that's really kind of boring, isn't it?

The famous philosopher Bertrand Russell, when war was about to be declared, wandered around the streets of London looking into

¹³This is a joke, but it illustrates the dishonesty in British claims about fighting for "small peoples."

people's faces. He couldn't believe it, how happy they were that war was going to come. A million Englishmen are going to die, but the intellectuals were rapturous about war—which connects us back to our earlier discussion on the intellectuals. There were a few who were very skeptical and saddened by the war—Bertrand Russell, for instance, and Albert Einstein, who was in Switzerland at the time. There were others also, but even Sigmund Freud in Vienna at first was enthusiastic for the war. As for Ludwig von Mises, I don't know his personal opinion about the war. He served in the Austrian army, but afterwards he thought that the Germans had been responsible for pushing the Austrians into it.

There's a very interesting book by Roland Stromberg called *Redemption by War*, and it's particularly about the intellectuals of the European countries and the United States.¹⁴ It's interesting to read these few pages because we're talking about the most famous intellectuals of the time in France and in Belgium. There's Henri Pirenne, one of the great pioneers of the idea of the European miracle, a great economic historian, and savagely anti-German. In England there is R.H. Tawney. There is Arnold Toynbee, who afterwards regretted that he had written atrocity propaganda against the Germans just to help the British war effort.¹⁵ In Germany there was Friedrich Tönnies, the most famous sociologist of his time. In France there was Émile Durkheim, another famous sociologist. They were each bitterly hurling insults at the other side, talking in favor of their own government. They were joined in Paris by the two great historians of the French Revolution: Albert Mathiez, whose hero was Robespierre, and Alphonse Aulard, a moderate whose hero was Danton. Both, of course, were in favor of the war.

Stromberg has some interesting comments on this phenomenon of intellectual support for the war. He said that what war did, when it came, was enable the intellectual to feel powerful and to articulate his feelings in powerful and aggressive ways.¹⁶ He could now identify totally with his community and with his government, now marching armies and fighting navies. That gave him a great personal sense of

¹⁴Stromberg, *Redemption by War: The Intellectuals and 1914* (Lawrence, KS: Regents Press of Kansas, 1982).

¹⁵Ibid., p. 53.

¹⁶Ibid., pp. 61–84.

power, which intellectuals generally don't have. This held not only for intellectuals but the people in general. Stromberg talks about

these exciting expressions in an age of unparalleled expansion of individual consciousness reduced to the same thing. The effort of this individual consciousness to come to terms with the collective mentality from which it was being separated, the most basic factor was the resurrection of community.¹⁷

In 2003, Chris Hedges published a book on war with the title *War Is a Force That Gives Us Meaning*.¹⁸ Hedges is a war correspondent who has been all over the world. He says that some wars have not been terrible, in the sense that they put down aggressors. But he also notices the psychological effect of war, as we perhaps are noticing ourselves now. Nobody could have missed the millions and millions of flapping flags and how you couldn't get anywhere without seeing them, in mass, in any American city. With the war, the average individual is able to identify with something higher and feel a power of all the other individuals with their flapping flags on their car antennas.¹⁹ The people can also identify with the might of the American government that was going to smash to smithereens these enemies of the United States. This sense of community fostered by military might becomes quite evident at the time of the First World War.

WOODROW WILSON AND THE RISE OF THE AMERICAN WARFARE STATE

The Schlieffen plan doesn't work, and the French, as decadent and worthless as they are in the eyes of the Germans, were able to knock the heads of the Germans together at the First Battle of the Marne. This stopped the Germans but then created the Western Front and the trench warfare that went on for three and a half years.

The British, of course, used their unsurpassed navy and declared a blockade of Germany. One of many problems with this was that, by international law, a blockade has to be close in to the coast and

¹⁷Ibid., p. 198.

¹⁸Hedges, *War Is a Force That Gives Us Meaning* (New York: Anchor Books, 2003).

¹⁹Raico is speaking of American "patriotic" displays surrounding the US war in Iraq, which began in 2003.

enforced by surface ships. What the British did instead was to lay mines at the entrance to the North Sea and also at the entrance to the English Channel. These were semipermanent mines, of which the British had maps. If you were on their side, you could get your ship through, and the British would tell you how to get it through. But the mines would stop anybody that the English wanted to stop. They also declared a whole list of things to be contraband that could not reach Germany or even reach neutral Dutch ports. The British claimed that goods could easily get to Germany from Dutch ports, so the British blocked passage to Rotterdam also. Among the items on the list of “contraband” was food, and in this we see the beginning of the British hunger blockade of the Germans, against which the Germans retaliated. The surface ships were swept away pretty quickly. The Germans retaliated with U-boats and the sinking of British ships. This brings America into the issue.

Many historians have lists of great presidents. Joe Stromberg, Bob Higgs, Don Livingston, and I have our lists of the worst presidents. We argue about this in a good-natured kind of way because the same presidents are pretty much on our lists. It’s just a question of which one was really the *worst* president. Because of this element of cant—of self-righteousness that makes your skin crawl—at the top of my list is Woodrow Wilson.

There was a great American writer of the time, H.L. Mencken, who really is worth reading, even now.²⁰ Mencken said that Wilson had a very high opinion of himself and thought, in fact, that he was a natural candidate for “the first vacancy in the Trinity.”²¹ That was not really too far from the truth. Wilson was the son of a Presbyterian minister and a person who always thought himself right. You can read about

²⁰According to Merritt W. Moseley, Jr., Wilson was the “American president whom [Mencken] hated above all others.” See Moseley, Jr., “H.L. Mencken and the First World War,” *Menckiana* 58 (Summer 1976): 8, <https://www.jstor.org/stable/26483064>.

²¹Quoted in Terry Teachout, *A Second Mencken Chrestomathy: A New Selection from the Writings of America’s Legendary Editor, Critic, and Wit* (Baltimore: Johns Hopkins University Press, 1994), p. 33. Mencken writes, “Dr. Wilson, at the end of his second term, was simultaneously a candidate for a third term, for the presidency of the League of Nations, and for the first vacancy in the Trinity.”

Wilson and the references to literature on Wilson in my essay.²² A very good book—not by a professional historian but by a scholar who was also a journalist—is *The Politics of War* by Walter Karp. What Karp does in a really, very enjoyable style—much more enjoyable than most academic historians’ style—is first discuss William McKinley and the Spanish-American War, and then he mainly concentrates on Wilson. Karp looks at how Wilson got us into this war, even though Wilson, from the start, says, “This war is so terrible.” This is compassionate, humanitarian, “liberal” in the *new* sense of the new liberals. Wilson said he “hates war” just as Roosevelt said, “I hate war, I despise war.”²³

Karp shows how Wilson, by his actual actions and what he said privately behind the scenes to his confidants, was moving steadily to war with Germany.²⁴

An excuse for the framework for inevitable war—but not yet war itself—came in May of 1915 with the sinking of the *Lusitania*. *Lusitania* was a British passenger liner, which happened to be carrying munitions of war at the time and was sunk by a German submarine. About 128 Americans died in that incident. The American government’s position *immediately* was that the Germans would be held strictly accountable for any loss of life by Americans on the high seas due to the action of German forces, *regardless* of any other consideration. The American secretary of state at the time, William Jennings Bryan, resigned in protest. He said it’s the *British* who are mixing together babies and bullets. You can’t have this one-sided attitude towards Germany.²⁵ But Wilson and his advisors and confidants took a different line. The Germans said, “Okay, we’re going to try not to do that,” but told the Americans they have to tell the British to do something about their hunger blockade and the stopping of neutral ships that are bringing food to the

²²Raico, “World War I: The Turning Point.”

²³Franklin Roosevelt makes this claim in his “I Hate War” speech, delivered at the Chautauqua Amphitheater in Chautauqua, NY, on August 14, 1936.

²⁴Karp, *The Politics of War: A Story of Two Wars Which Altered Forever the Political Life of the American Republic, 1890–1920* (New York: Franklin Square, 2003). See chap. 12, “A Hopelessly False Position.”

²⁵Variations of this phrase were used to describe the problem of carrying civilians on seagoing vessels that also carried munitions. A State Department memo dated July 16, 1915, mentions the danger to passengers traveling on ships that carry “mixed cargoes of babies and bullets.” See *Hearings before the Special Committee Investigating the Munitions Industry*, 74th Cong. 8483 (1936).

Germans. There were other British interferences with neutral rights, as well. From time to time, the American government *did* send notes to the British, saying, “You should stop doing this, because of international law, and you are violating the rights of neutral countries.”

Wilson, though, very much had a hidden agenda. This *was* the Great War. The people who lived through it called it the Great War, and it was called the Great War for a long time to come. Wilson understood that if the Great War was settled in one way or another without the United States being part of it, America would have no say in the creation of the new world order. Wilson had very definite ideas about what the new world order would entail.

These ideas were the ideas of the so-called liberal—now we could say “so-called” liberal—ideologists and writers of the time. These writers—whom Murray Rothbard called “progressives” very often—were the writers around the *New Republic* and similar publications, which basically wanted to impose democracy on the rest of the world and to make the world safe for democracy. So, that’s why, when we talk about the announced policy of the George W. Bush administration, we talk about “neo-Wilsonianism.” The Bush policy is a revival of this idea that it is the duty—and certainly the *right*—of the American government to remake the whole world and bring democracy to all peoples. Well, eventually we did under Wilson. We helped bring down the German monarchy by insisting that we were not going to make peace with the Germans and instead we were going to spread democracy—but not, of course, to the British and French colonies and not to Egypt or Palestine or Iraq. When 1918 came, we were not going to make peace with the German militarists, and we insisted that the Germans get rid of the monarchy. This meant getting rid of not just the kaiser—who wasn’t popular by the end of the war. It meant the Hohenzollern dynasty must be gotten rid of. Germany became a republic, the Weimar Republic, which didn’t last very long, from 1919 to 1933.

In 1933, a very evil man—a very evil politician named Adolf Hitler—through constitutional means, in accordance with the Weimar Constitution, became the chancellor of Germany. In Italy, Mussolini became the prime minister. However, by 1943, when it was obvious Mussolini was destroying Italy—the allies had just landed in Sicily—there was still a king in Italy. So, it was possible for the king to dismiss Mussolini as prime minister. In Germany, there was no one higher than Hitler, because the monarchy had been done away with. If a monarchy had remained in effect in Germany, it would have been a very different

situation—that is, Hitler would have had a superior. It's impossible to believe that any Hohenzollern would put up with the policies that Hitler finally instituted, and in any case it was clear that Hitler had lost the war for Germany. He could have been gotten rid of in the same way that Mussolini had been. But this was not possible because German democracy had abolished the monarchy.

The idea was, “monarchy bad”—except if it's a British monarchy—“republic good” and “German monarchy *very* bad.” A little *simpliste* perhaps? Why did this idea prevail? Because of a professor at Princeton, a president of Princeton, an American “genius.”²⁶

So, we finally get into the war. By the end of 1916, the hunger blockade is really hurting Germany and the Germans decide they have to break it one way or another. They declare unrestricted submarine warfare around the British Isles, and then America finally gets into the war in April of 1917.

Before we got into the war, public opinion had been concentrated on problems not just with Germany but also with our problems with England. England was, in many ways, interfering with our neutral rights. American ships carrying food would have been allowed into German ports under international law. But American ships carrying *anything* between New York and Rotterdam—two neutral ports—were stopped by the British and prevented from going on. Mail was taken off American ships because it, in some way, would be helping the German war effort. So, in many ways that had been traditionally understood, Britain was violating American neutral rights, and the Americans from time to time complained about it. The public's view was, “Well, okay, Germany's doing bad things. We're dealing with that. The British are doing illegal things also, and we're dealing with that.”

The man who replaces Bryan as secretary of state is Robert Lansing, another Wall Street lawyer. After the war, Lansing wrote his memoirs and this is what he wrote:

In dealing with the British government there was always in my mind the conviction that we would ultimately become an ally of Great Britain and that it would not do, therefore,

²⁶Woodrow Wilson had been a political scientist and president at Princeton University before his time as an elected official.

to let our controversies reach a point where diplomatic correspondence gave place to action.²⁷

Once we joined the British, we would presumably wish to adopt some of the policies and practices which the British adopted, because our aim also would be to destroy the morale of the German people by economic isolation. This would cause them to lack the very necessities of life, admitting that the point of the British blockade was to starve the civilian population into surrender. This is what Lansing, the former secretary of state—the man who was Wilson’s secretary of state when we entered the war and at the Paris Peace Conference—said:

Everything was submerged in verbosity. It was done with deliberate purpose. It insured continuance of the controversies and left the questions [between Britain and the United States] unsettled, which was necessary in order to leave this country free to act and even act illegally when it entered the war.²⁸

That’s a pretty candid, stunning admission. When you read that in the years before the Second World War, the American people had become terrible isolationists and xenophobic, hiding their head in the sand, remember that this is what the leaders had admitted to doing to the American people during the First World War. This is the equivalent of modern American leaders admitting today to lying about weapons of mass destruction in Iraq. Given that the secretary of state had himself openly admitted what had been done, it was maybe natural that the American people were suspicious about another crusade in Europe on the part of another liberal Democratic president.

THE EFFECTS OF THE WAR IN AMERICA

In his book *Crisis and Leviathan*, Robert Higgs covers much of what happened to the American economy during the war. The railroads were nationalized, and there were price and wage controls for the first time. Rent controls were put in, in Washington, DC, for the first time in American history. A War Industries Board was set up that

²⁷Robert Lansing, *War Memoirs of Robert Lansing, Secretary of State* (Indianapolis, IN: Bobbs-Merrill, 1935), p. 128.

²⁸*Ibid.*

controlled most of the production of the United States under Bernard Baruch. There was also mass conscription.

To my mind, these humanitarian liberals are, in fact, very humane and compassionate—until you get in their way, and then there's no stopping them. There's *nothing* they're not going to do to you.

Joseph Stromberg has mentioned that the First World War was worse, from the point of view of civil liberties, than the Second World War—with the exception, of course, of the internment of the Japanese Americans. One hundred twenty thousand Japanese Americans—eighty thousand of them citizens—were put into concentration camps. (They weren't death camps, but they were concentration camps in the traditional understanding of concentration camps.) Most of the resident aliens wanted to become citizens, but Japanese born in Japan were not permitted to become citizens. Why were they put in camps? On suspicion that they might provoke or commit acts of espionage and sabotage.

The Supreme Court upheld this.²⁹ All the liberals on the Supreme Court—Felix Frankfurter and Hugo Black, and so on—thought that was perfectly okay. The thinking was, “Where does the Constitution say that you cannot take eighty thousand American citizens because of their ethnic background—citizens accused of no crime, not even *suspected* of any crime, individually speaking—and put them into concentration camps? That's ridiculous. *Of course* the Constitution allows something like that.” Or, as they say nowadays, “the Bill of Rights is not a suicide pact.” So, if you want to throw all these Japanese grocers and florists and fisherman and fish mongers into camps in Arizona and Arkansas, you have the perfect right to do it.

That was the worst thing that happened in the Second World War.³⁰

The *general* suppression of civil liberties was not as bad as in the First World War. In the First World War, thousands were arrested for violating the Espionage and Sedition acts on the basis of nothing, as in the case of Eugene Debs. But the *reason* why it was relatively mild in the Second World War, I think, is this: In the First World War, the

²⁹Korematsu v. United States, 323 U.S. 214 (1944).

³⁰Raico means this only in the context of American civil liberties. Raico has commented in detail elsewhere on the extensive human rights violations and war crimes—committed by both sides—in the course of the war in Europe and the Pacific.

men who got us into the war were really afraid of what might happen at home. We'd never sent a conscript army overseas. The army in the Philippines was a volunteer army. We'd never sent a mass army to Europe. The Germans were a very large part of the American population, and many were relatively recent immigrants. There were mainly German towns, like Cincinnati and Saint Louis and Milwaukee. They were people who were proud—and understandably proud—of their culture, their heritage, and attachments to Germany. With no way of knowing what was going to happen in America in this war, Wilson's allies came down as hard as they possibly could—as severely as they possibly could.

There were the official “patriots,” and Mencken talked about George Creel who was the head of the first American government propaganda agency. Creel hired historians to write propagandist accounts of the whole history of Germany and how the war began, and so on. Mencken referred to Creel and his “herd of 2,000 American historians,” which is a good way of putting it.³¹ There were also the *volunteer* “patriots,” such as the directors of symphony orchestras in New York and Philadelphia and elsewhere. They declared that they would not play any work by any German composer for the duration of the war. Some of the things are laughable. Speaking German in public was prohibited in whole states, like Iowa. In other states, using German on the phone was prohibited. Just craziness. It's like “freedom fries” today.³² The poor American people.

The case of Eugene V. Debs is particularly interesting. We all know that Woodrow Wilson was a “humane and compassionate” man and a saint and a martyr. We *know* that, don't we? However, there was this interesting case—besides the *thousands* of other people who were arrested. (Lutheran ministers were arrested on no rational grounds.) The case of Eugene Debs was particularly interesting because he was a very prominent figure. He was the head of the American Socialist

³¹H.L. Mencken, *A Mencken Chrestomathy* (New York: Vintage, 1982), pp. 602–3.

³²Some American activists in favor of the 2003 US invasion of Iraq disparaged the French when the French regime refused to endorse the US invasion. Some of these activists insisted that French fries be renamed “freedom fries.” This mirrors similar efforts during the First World War when American activists demanded that hamburgers and sauerkraut be renamed “liberty steak” and “liberty cabbage,” respectively.

Party. The Socialist Party had gotten hundreds of thousands of votes in elections. It was a very big factor in the west, especially. In a speech in Ohio, Debs told a convention of socialists that the reason we got into this war was because of the bankers.³³ What he had in mind was this: as soon as the European war broke out, J.P. Morgan—the House of Morgan—became the suppliers of the British and arranged for financing of British needs in the war. As one of the vice presidents of the House of Morgan testified after the war, “We felt ourselves to be agents of Britain from the beginning.”³⁴

Well, whether or not that was the major reason we got into war, that’s what the socialist leader, Debs, said—that it’s the bankers who got us into war. Somebody in the audience took down what he said and sent it to the federal authorities, who said that Debs violated the Espionage and Sedition acts, which prohibited interfering with recruitment for the armed forces. Debs had said nothing about violence and nothing provoking violence in his talk. I don’t think he said anything about the conscription one way or the other. In any case, there were no young men of eligible age in the audience who complained about it or were pointed to as people whose patriotism was possibly subverted by this talk.

Debs was put on trial and sentenced to ten years in the federal penitentiary in Georgia. When the war was over, there had been prisoners of conscience in every country—dissidents who were arrested. One by one, they are pardoned in other countries but not in America. Wilson was sick at this time, and people came to him and said, “You know, Debs is ailing, he might die in federal prison. Why don’t you pardon him and pardon some of the others as well?” As clear as anything, we have the testimony from his attorney general, Alexander Palmer, who was a fanatic trampler on civil rights with the famous Palmer raids. Palmer said, “Why don’t you pardon Debs?” Wilson said, “I will never pardon Debs. He stabbed our soldiers in the back by his speech.”³⁵

³³Debs delivered this speech in Canton, Ohio, on June 16, 1918.

³⁴See Martin Horn, “A Private Bank at War: J.P. Morgan and Co. and France, 1914–1918,” *Business History Review* 74, no. 1 (Spring 2000): 91–93, <https://doi.org/10.2307/3116353>.

³⁵Quoted in Lucy Robbins Lang, *War Shadows: A Documental Story of the Struggle for Amnesty* (New York: Central Labor Bodies Conference, 1922), p. 281. The exact quotation is, “I will never consent to the pardon of this man. . . . This man was a traitor to his country, and he will never be pardoned during my administration.”

Debs was not pardoned by Wilson. He was pardoned by Warren Harding. Was Warren Harding a great president? Is he considered a great president by historians or as a “near-great” president as Wilson is? No. He’s considered maybe next to Nixon, the worst president, or something close. But Harding was not the vindictive, self-righteous, cant-spouting type of person that Wilson was. Harding pardoned Debs and other people who were in prison, saying that they didn’t mean any harm and they were pretty good guys. So, if you hear or read of Woodrow Wilson being praised as a great liberal, as a compassionate humane individual, the case of Eugene Debs is something maybe to keep in mind.

Lecture 10

Classical Liberalism and the Welfare-Warfare State

Good afternoon, and welcome to our last lecture.

In January of 1919, the war was over, and with Germany having surrendered *conditionally*, unlike in World War II. The conditions were pertaining to President Wilson's "Fourteen Points" speech, and other speeches emphasizing self-determination of all peoples, and other general provisions implying equal justice for victors and for the vanquished. That was the spirit that Wilson publicly proclaimed. It was on that basis that the Germans surrendered. But then in January of 1919, the leaders of the Entente get together in Paris.

The Congress of Vienna in 1814 and 1815 was the last time there had been a general European conference to settle questions that remained at the end of a major war. In that case, the victorious powers in the French Revolutionary and Napoleonic Wars were there, but, equally, the French were represented there by Talleyrand, who took part in the negotiations together with everyone else. The spirit in Vienna in 1814–15 was the *rational* one. The victorious powers know they're going to have to live with France on the same continent, so they can't simply exclude France and create a dictated peace. So, the French had to be let in the negotiations, and Talleyrand, as clever as he was, was able to manipulate things to the interests of his own country.

THE NEW WORLD AFTER THE GREAT WAR

In 1919 in Paris, it was quite different. There were German representatives, but they were put up in a hotel and under guard and not

permitted to take any part in the negotiations in the creation of the peace treaties. When the peace treaty with Germany was finally settled upon, the Germans were brought out to the Palace of Versailles under guard and told to sign the treaty, and that was it. They refused at first, but they were threatened with an invasion of Germany. The Germans had totally disarmed by that time, had no artillery, had no guns, had no planes, and the army was demobilized. The Entente allies still had their armies, so that the threat of invasion of Germany was a very real one and enough to force the German representatives to give in, regardless of their own personal feeling.

In Germany, everybody from the communists to the extreme nationalists—there aren't exactly any Nazis at that time, but there are people on the extreme nationalist side—opposed the Treaty of Versailles. The Catholics, the socialists, the liberals—they were all against it. Nonetheless, it was implemented. The history of the Paris Peace Conference is of great interest, and it shows that time and time again, Wilson was surprised—he was astonished—that somehow his wartime allies seemed to be interested in acquisition of colonies and advantages over the defeated powers rather than to welcome the new German democracy as a sister democracy. He was very hurt. In the middle of the conference, he got a stroke, had to go back to America, then recovered a bit and came back. But time and time again, when he tried to set himself up against some position of the French or the British, they threatened not to go along with his baby—his dream, his vision of the League of Nations—and that was enough to have him cave in. So, the peace treaties were signed with the defeated powers, with one treaty in each of the great palaces in the vicinity of Paris. The most important one—the one with Germany—was signed at the most important palace, the Palace of Versailles. The treaty with Germany included Article 231, unprecedented in the history of peace treaties, whereby the Germans acknowledged, on behalf of themselves and their allies, the sole responsibility to having started the war.¹ Until then, it hadn't been considered really a very gentlemanly thing to do—once you had defeated and knocked down an opponent—to force them to grovel further and admit that he was the one that started everything.

The most obvious thing about the new Europe is the creation of a series of successor states. There were successors in part to the old Tsarist Empire, in part to Germany in the sense that a German section

¹This is the infamous “war guilt” clause.

of Poland now became part of Great Poland, and mainly there were successors to the Austro-Hungarian Empire. Winston Churchill, to give him credit, lamented the end of Austria-Hungary. He said it could have been reformed and it provided a home for all of the small peoples of central Europe to live together and to lend each other moral support and, if necessary, military support belonging to the same empire. Instead, what you had were small peoples—the Czechs, the Slovaks, Austrians, and Hungarians divided. There was big Poland—it was still between Germany and Russia—and these small peoples in the inter-war years and after the Second World War fell victim, for the most part, to Germany at first and then to Russia. By themselves, in other words, when Germany and Russia were interested in absorbing them, they simply couldn't hold out.

SELF-DETERMINATION DENIED TO ETHNIC GERMANS

You can read in my essay about how some things particularly disturbed the Germans.² This is true of many of the different parts of the Treaty of Versailles, but the Germans were disturbed *most* in regard to self-determination. The Polish Corridor did include many Germans, as did Upper Silesia. It would have been very difficult to cleanly divide off Germans from Poles there. However, there was a totally German territory called Danzig, which is made by the treaty into a little country of its own—a free state under Polish control—the point of which was so Poland had a corridor to the sea. Poland needed a Baltic seaport they could depend on and that was Danzig. But it was a totally German city, and self-determination for the Germans apparently didn't hold there. The more important cases of lack of self-determination for the Germans were in the Sudetenland, where there were about three and a half million Germans out of a total population of this new country, Czechoslovakia, of around twelve million. There were more Germans than Slovaks in Czechoslovakia. The Germans in the Sudetenland did not wish to be part of the Slavic state, which also included Hungarians and Lithuanians. The Germans did not want to be part of Czechoslovakia, but they were denied self-determination.

²Ralph Raico, "World War I: The Turning Point," in *The Costs of War: America's Pyrrhic Victories*, ed. John V. Denson (New Brunswick, NJ: Transaction, 1999), pp. 203–47.

Austria was prohibited from joining with Germany, although the Austrians said, “What are we now? We’re some alpine provinces and a big city of Vienna. All the non-German territories are taken away. We want to be part of the Reich.” But the treaties with Austria and the Treaty of Versailles with Germany prohibited that. In South Tyrol also, about a quarter of a million Germans were put under Italian control. These were blatant violations of the principle of self-determination. It seemed that virtually all Germans were divided between those who said, “Well, we have to live with it, we lost,” and those who said, “We’re not going to live with it for very long. We’re going to change it as soon as we can.”

BRITAIN AND FRANCE CREATE A NEW MIDDLE EAST

The German colonies were divided up, as were the important Arab territories of the Ottoman Empire. Turkey, as a Turkish land, comes into existence. The Arab lands of the empire come to be either directly or indirectly under British and French control. The French take over Syria. There’s a Christian minority in Syria at the time, so in order to create a Christian state in the Middle East, they carve out of Syria something that had not existed before. The new colony was Lebanon, with a Maronite Christian majority, created in order to have this kind of wedge in the Muslim-Arab world. The problems that Lebanon has experienced since then are traceable to this division.

With oil having already been discovered at Mosul, the British create something called Iraq. In order that Iraq should be less potent than it might have been otherwise, the British arbitrarily create something called Kuwait out of a territory that had formerly been part of the same area as Iraq when administered by the Turks. This Iraq that they create is a noncountry with non-Arabs—Kurds—in the north. Iraq also has strongly divided Arab Muslims—Shiite and Sunni Muslims—in the center and in the south. Nonetheless, it’s made into a country, and a king is put in charge. Iraq has a very tortured history because how else do you keep together a noncountry like this except through dictators who sometimes act extremely brutally?

The House of Saud is given its reward for supporting the British against the Turks in the creation of something called Saudi Arabia. Most ominously, the Ottoman territory of Palestine is taken over as “a mandate”—a colony—by Britain. In the course of the war, the British, in order to gain all the support they could, promised, on the one hand,

that the Arab states would be free and independent so they would raise up the desert Arabs against the Turks. On the other hand, the British promised Zionists that Palestine would become a homeland for Jews, although not exclusively for Jews because the Balfour Declaration, where this was expressed, said that the rights of the present inhabitants of Palestine should be respected.³ Nonetheless, this was the first international recognition of the claims of the Zionists and the beginning of the creation of a Zionist state in Palestine. The state is not going to be declared until 1948, but this gave an opening for increased Jewish immigration into this Arab country.

A League of Nations was set up, although the United States never joined. The story that you all heard is that it was a terrible tragedy that the United States did not join the League of Nations. But the League was an instrument of Anglo-French world hegemony. The German colonies were gone. Austria-Hungary didn't exist anymore. Germany was down, and the French and others hoped it was out permanently. Russia had been taken over by the Bolsheviks, so it was at least temporarily outside of the family of nations, anyway. The Bolsheviks, of course, were involved in their own civil war and their own civil disturbances. So, they were hardly a factor. For the British and the French, the new borders of the world were fine: this is the way it should be and this is the way it should stay. The League of Nations, then, which established the principle that aggression meant crossing borders, was now this peace-keeping organization dedicated to preserving the borders of 1919. If the United States had joined the League, then the Americans would have been obliged to lend, when necessary, military support to the preservation of this Anglo-French world hegemony. That's the fact of the matter, as many realists in the United States and elsewhere saw it.

THE NEED FOR REVISIONIST HISTORY

This is only one example of the burning need for what's called historical revisionism. I've taken World War I because it's a very well-known example. A lot is known about the war, and it's very interesting on other grounds. The war is very significant because of its consequences.

³The declaration was part of a letter dated November 2, 1917, sent by Arthur Balfour, the foreign secretary of the United Kingdom, to Lord Rothschild. The text was published on November 9, 1917.

Revisionism as it pertains to historical interpretation is an absolute necessity. What's the alternative to revisionism? The alternative to revisionism is simply to believe the victorious state's story about how the war began, how it was conducted, and what the consequences of the war were. Without revisionism, we end up believing the propaganda that a state involved in a war always puts out and always tries to spread. Unless that's revised in some way, then what we're left with is simply a tissue of very childish lies.

So, revisionism, to one degree or another, is absolutely called for and absolutely necessary in regard to every war. If we take the last "good war"—a war everybody likes, World War II—there's been necessary revisionism in regards to that. Of course, there's been revisionism of a school I agree with, but there's been revisionism even among mainstream historians.

Nobody now believes the story that was told during the war, and right after the war, that Franklin Roosevelt worked tirelessly for peace right until he was totally stunned and surprised by the Japanese attack on American forces in Pearl Harbor, the Philippines, and elsewhere. That was the American government's story. Nobody believes that. As a matter of fact, the people who *like* Roosevelt say, "He *did* plan to get us into war with Germany and with Japan also. He had to do it very slowly because of the isolationist American public, but he did plan to do it, and *he was right to do it.*" We are told this was because Nazi Germany was such a threat, especially as it was perceived to be allied with Japan, so we had to get into that war. So, there's been revisionism even in the mainstream story in regard to World War II and in regard to many other wars.

I don't understand how anybody thinks that they can maintain the story of the Vietnam War now that people like Robert McNamara say, "Well, we really had no idea why we went into Vietnam, and it turned out really to be kind of a mistake. Sorry."⁴ This was the man who was the secretary of defense and the chief impetus in favor of that war, in the Johnson administration. That revisionism, as I say, is necessary.

(I don't know how much anybody would be willing to bet me, but I'd be willing to bet a lot—even more than the \$250 I'm getting for these

⁴John Nichols, "McNamara Was 'Wrong, Terribly Wrong' about Vietnam," *The Nation*, July 7, 2009, <https://www.thenation.com/article/archive/mcnamara-was-wrong-terribly-wrong-about-vietnam/>.

ten lectures from the Mises Institute—that the president of the United States had never heard the word “revisionism” before he recently gave a speech saying that people who deny the administration’s position on why we got into war in Iraq are “guilty of revisionism.”⁵ I think that sounds more like Richard Perle or Paul Wolfowitz or maybe even Dick Cheney.)⁶

The state engages in propaganda constantly, especially in regard to war, and the reason for this is clear. The French philosopher Étienne de La Boétie wrote a tract about how the state depends totally on opinion.⁷ (La Boétie was a close friend of Montaigne—Montaigne actually wrote an essay on friendship in connection with La Boétie, who died fairly young.)⁸ La Boétie explained that “the ruler” is just one person or a small number of people. Even his supporters are a limited number of people. The ones who are ruled are the vast majority. How are they going to be ruled by a relatively small number except through opinion, through instilling in them, planting in their minds, the legitimacy of the state and the arguments for state control? This is done through glorifying the state’s wars.

Isn’t it funny how, with the possible exception of Vietnam, *all* of America’s wars have been justified and have been right and good? I mean, what are the odds of something like that? A major power’s *every* war has been good, and the enemy has always been unbelievably horrible? Orwell’s *1984* is indispensable still for this in showing the way hate against the enemy is whipped up in the “five-minute hate.” (In the book, it’s easier for Oceania propagandists when Oceania is fighting

⁵Specifically, Bush accused those who claimed the administration used “selective use of intelligence to justify the war in Iraq” were guilty of “revisionist history.” See Joseph C. Wilson 4th, “What I Didn’t Find in Africa,” *New York Times*, July 6, 2003.

⁶Cheney, in late 2005, mere months after Raico delivered this lecture, did personally accuse critics of “revisionism of the most corrupt and shameless variety.” See “Vice President’s Remarks on the War on Terror,” November 21, 2005, <https://georgewbush-whitehouse.archives.gov/news/releases/2005/11/20051121-2.html>.

⁷La Boétie, *The Politics of Obedience: The Discourse of Voluntary Servitude* (New York: Free Life Editions, 1975). The text was originally published in French in 1577.

⁸Michel de Montaigne, *On Friendship*, trans. M.A. Screech (New York: Penguin, 1991). Originally published in French in 1580.

East Asia, because they're Asians and they could be made into grotesque Mongol-type demons who are bloodthirsty and practically cannibals. But the propaganda tactics even work when Oceania is fighting Eurasia with the Slavic people and their supposed inveterate bloodlust and traditional cannibalism.) Orwell showed in the novel that this is how the citizens of what used to be Britain and America are presented with: the enemy is bayonetting babies all the time, and so on.

That started with the Belgian atrocity stories of 1914, which was maybe the first great propaganda success in modern times. At my apartment in Buffalo, I have a poster selling liberty bonds, and it shows a burning village in the background, and it shows a big, hulking German soldier with his helmet, and he's dragging along a ten- or eleven-year-old girl into the bushes, and it says, "Remember Belgium. Buy Liberty Bonds." This was part of the deliberate campaign of the British government. It was so brilliantly successful that Hitler talks about it in *Mein Kampf*.⁹ Goebbels says that he learned a tremendous amount about propaganda from the British.¹⁰

The government keeps telling everybody how horrible, how demon-like, the enemy is and how totally virtuous we are. It's good versus evil, the way we're being told about it all the time now. The government has certain heroes who are set up as exemplary models of humanity. Monuments are set up to them. In Washington, DC, you're going to run out of room for all these monuments after a while. DC has a pretty limited area. Now, with what is seven-and-a-half acres in the Franklin Roosevelt Memorial, what happens when the Harry Truman Memorial comes, the George Bush Memorial, all of these other memorials?

Schoolchildren are brought to see these things, and the state's myth is carried on from one generation to another.

FREEDOM AND THE WELFARE STATE

Now, I want to talk about something about the situation in regard to liberty in the present day. Hayek, I think, was quite right when he said in the last years of his life that socialism is essentially dead. He's

⁹Adolf Hitler, *Mein Kampf*, trans. Ralph Manheim (Boston: Mariner, 1999), pp. 176–86.

¹⁰Joseph Goebbels, "Die abgehackten Kinderhände," in *Die Zeit ohne Beispiel* (Munich: Zentralverlag der NSDAP, 1941), pp. 181–87.

talking about the traditional standard socialist program—the nationalization of industry and central economic planning. Now we know—with the fall of communism in Russia and Eastern Europe and what’s happening in China—that no serious person now defends the idea of central economic planning and nationalization of industry as the road to prosperity.

So, it is the case that traditional socialism has gone into oblivion. Hayek said, however, that socialism is being replaced by the welfare state, and this certainly is the case.¹¹ Discussing the welfare state brings us back to the discussion of the origins of liberalism, because liberalism, arising in the eighteenth century, faced, as we know, absolutism and mercantilism. But it is not as well-known that liberalism faced—especially on the continent of Europe—a welfare state in the version of that time. It was called, oddly enough, the, *Polizeistaat*—that is, police state. But the term meant police in the sense of regulation by the government. There’s a great literature on the history of the welfare state—for example, a book by a man named Reinhold August Dorwart from Harvard University Press.¹² Dorwart distinguishes three stages of the welfare state. The first was the welfare state that came into existence with so-called enlightened despotism of the early modern period. That existed in France, the German states, the Austrian states, and, above all, Prussia. There were treatises written for the government bureaucrats who were going to be regulating agriculture industry, setting up hospitals, setting up educational institutions, insane asylums, operating the poor laws, and all the sort of things that were supposed to be helping people through the different welfare organizations. These treatises were written for the bureaucrats—who studied in universities—and explained that the aim of the enlightened prince is the happiness and welfare of his people. It’s the government’s job to look after this and to do everything the state can to extend and expand the people’s happiness and their welfare.

The greatest book written in Germany on liberalism before the rise of the Austrian school is *The Limits of State Action* by the great German

¹¹Bruce Caldwell, “Hayek on Socialism and on the Welfare State,” *Challenge* 54, no. 1 (January–February 2011): 89–92, <https://www.jstor.org/stable/25799929>.

¹²Reinhold August Dorwart, *The Prussian Welfare State before 1740* (Cambridge, MA: Harvard University Press, 1971).

philosopher Wilhelm von Humboldt.¹³ He has as a quotation at the beginning of his book something from one of the French physiocrats—the elder Mirabeau—who lashed out against “the rage to govern, which is the most disastrous disease of modern governments.”¹⁴ What was this rage to govern? It was the welfare state that was coming into existence.

(One reason, by the way, why the philosopher Immanuel Kant says that happiness cannot be the aim of ethics—and, by implication, of government action—is he was an opponent of the Prussian welfare state. As Kant put it, justice, not happiness, has to be the aim of policy.)¹⁵

Dorwart then talks about a second stage of the welfare state, which was the period of classical liberalism, the retreat of the state, and the introduction of laissez-faire. That lasted for a few decades in Europe. Then, finally, the third stage begins in the 1880s in Germany, and it is the stage of the indefinitely expanding welfare state that we are privileged to experience today.

Some people might be surprised that the welfare state came into existence in Germany—i.e., Prussian-controlled Germany—under the aegis of Bismarck. Bismarck was no friend of freedom. He was, in a paternalistic way, a friend of common people and was looking out for their welfare. But there were other reasons behind his introduction of welfare legislation into Germany in the 1880s. Odd as it may seem, we can pinpoint where the modern welfare state started, and it was there.

¹³Humboldt, *The Limits of State Action*, ed. J.W. Burrow, trans. J.W. Burrow and Joseph Coulthard (London: Cambridge University Press, 1969).

¹⁴The elder Mirabeau is Victor de Riqueti, marquis de Mirabeau. The full quotation, as it appears on page 1 of Humboldt's *The Limits of State Action*, is, “Le difficile . . . est de ne promulguer que des lois nécessaires, de rester à jamais fidèle à ce principe vraiment constitutionnel de la société, de se mettre en garde contre la fureur de gouverner, la plus funeste des maladies des gouvernements modernes.” It is found in Honoré-Gabriel Riqueti de Mirabeau, *Oeuvres oratoires de Mirabeau* (Paris, 1819), 2:494.

¹⁵Thomas E. Hill, Jr., *Human Welfare and Moral Worth: Kantian Perspectives* (New York: Oxford University Press, 2002), p. 178. See also Kant, *Kant's Principles of Politics*, trans. W. Hastie (Edinburgh, 1891), p. 48. Kant writes, “The idea of Happiness, taken by itself, is not available as a principle of legislation.”

He introduced old-age pensions, disability insurance, health insurance, and other welfare measures. The reason was—and his conservative advisors agreed with him—that people were becoming too independent. He lived in a monarchy and this was his whole life: service to the Hohenzollern kings, and now emperors, of Germany. For Bismarck, the people were becoming too independent. The liberals, whom he considered his worst enemies—enemies worse than the socialists—were depending on gradual improvement in conditions for people becoming even more independent. As people became more independent, they took care of other things, like their health insurance, provisions for old age, and so on. If this happens, what is going to happen to the people's gut loyalty to the government?

Bismarck said he had noticed, under Napoleon III in France—who started some of these welfare measures and pensions for certain categories of people—that people who look forward to a government pension tend to be much more amenable than people who are acting on their own and looking to their own support in various ways in the private sector. It was this political need to—as one of his advisors said—“bind the people to the throne with chains of gratitude” that led to the introduction of these measures.¹⁶

Bismarck was also clever enough to add to these welfare measures a kind of gimmick that is successful to this day—that is, to talk about the employees' and the employers' contribution to old-age pensions.¹⁷ The idea is to divide it up so the worker knows he is giving something into the fund, but the worker also believes he is getting *his boss* to give something into the fund. Now, nothing is more certain than this: your boss doesn't care how he divides up your salary. If you tell your employer to give 7.5 percent to Catholic charities, send 45 percent to the Mises Institute, or whatever way you want to divide it up, he's willing to do it because he is going to be paying you a certain amount that he thinks you're worth. So, if there were no employer's contribution,

¹⁶Raico, *Die Partei der Freiheit: Studien zur Geschichte des deutschen Liberalismus* (Stuttgart: Lucius and Lucius, 1999), pp. 175–76. The system of Sozialpolitik was not meant to create self-sufficient citizens but “to ‘chain’ people to the community.”

¹⁷Sidney B. Fay, “Bismarck's Welfare State,” *Current History* 18, no. 101 (January 1950): 3, <https://www.jstor.org/stable/45307677>. Bismarck “wanted the German state to contribute to the cost of insurance along with employers and employees, so that the worker would feel a sense of gratitude to the state.”

there is no change to what a worker would be worth. But this optical illusion of an “employer’s contribution” certainly helped Bismarck’s plans along politically.

Bismarck was opposed by the German liberals in these measures. I have a book on the German liberals in general that Guido Hülsmann translated into German for me.¹⁸ But there’s also an article in the *Review of Austrian Economics*, that you can look up, about, to my mind, the greatest of these German liberals, one of my real heroes: Eugen Richter.¹⁹ The authentic German liberals and the Manchester liberals opposed the welfare state, which is a major reason why German historians have total contempt for these nineteenth-century liberals. German historians ignore them, they misinterpret them, and they distort what they said because these are actual Germans who are against the welfare state. The welfare state is enshrined in the constitution of the Federal Republic of Germany, which is a “social state,” as they say, given to “human dignity” in material terms of supporting welfare. So, these German liberals are not treated very well by historians, either here or abroad. But these liberals came up with very good arguments against the welfare state. In particular, they pointed out, “What’s going to be the end of this?” People get the impression that the government has endless largesse to distribute. What’s going to stop the government from creating more and more programs, taking more and more of the people’s income through taxes, and then distributing it through alleged welfare measures? The German liberals, by the way, understood perfectly the mechanism that the school of public choice talks about—that is, how benefits are concentrated and costs are dispersed among the whole population and how this works with modern electoral politics.

THE FUTURE OF THE WELFARE STATE

My own view, since I want to talk about the prospects for freedom, is that this welfare state that exists now in Western countries is simply going to expand. There might be some setbacks from time to time. For instance, in America, the Clinton Health Program, to immediately socialize 14 percent of the American economy, did not

¹⁸Raico, *Die Partei der Freiheit*.

¹⁹Raico, “Eugen Richter and Late German Manchester Liberalism: A Reevaluation,” *Review of Austrian Economics* 4, no. 1 (1990): 3–25, <https://doi.org/10.1007/BF02426362>.

get through. On the other hand, what are we witnessing now? Prescription drugs for older people and anything that is for America's kids.²⁰

I don't know from where came this concept of "America's" kids. I don't think it existed in our time, in earlier years. What do you mean "America's" kids? You know, there's Mrs. Marino's kids, and there's Mrs. Fleishman's kids, and there are kids of different families, and the kids are in that family. They don't belong to some huge—over a quarter of a billion, practically three hundred million strong—collective called "America." But that argument of doing something for "America's" kids is unanswerable.

We should always keep in mind that half of the population, by definition, has an IQ of less than 100. So, in New York State—because the states are going at various speeds—there's one aspect of socialized medicine after another that's put in. Now, for instance, there's state-funded insurance for *all* people who can't afford it otherwise—who have children in their family—and that's coming in a few years. The Republican governor boasts about that. So, it's just a matter of time until something very like the original Clinton program comes into existence. It might not be the coercion that was originally proposed—or maybe if there's a Democratic president, there will be such coercion—but the welfare state does experience defeats from time to time. But then it picks itself up and goes ahead to greater and greater victories.

This is what we have to worry about: I think in the modern world this welfare state has another aspect to it that Paul Gottfried talks about. (I mentioned Gottfried's two books, *After Liberalism* and his more recent book *Multiculturalism and the Politics of Guilt*.)²¹ The welfare state is a managerial state, a therapeutic state, and a state that is concerned with a radical redo of the values and traditions of society. What's more obvious than that, I don't know.

²⁰At the time Raico is speaking, the US federal government was actively engaged in one of the largest expansions of the welfare state in decades: Medicare Part D. Raico also refers here to the Children's Health Insurance Program (CHIP), which was rapidly expanding.

²¹Gottfried, *After Liberalism: Mass Democracy in the Managerial State* (Princeton, NJ: Princeton University Press, 2001) and *Multiculturalism and the Politics of Guilt: Towards a Secular Theocracy* (Columbia, MO: University of Missouri Press, 2002).

One small example: there was once on the Alabama license plates some phrase to the effect that Alabama was “the heart of Dixie”—now it’s virtually disappeared. This is a very small example obviously, but why are they doing something like this? “Dixie” is now taboo because of a state diktat, and in years to come it’s going to get worse and worse. That’s one aspect of the state’s having an agenda to root out certain traditions and values in society—for instance, identification with the South, with Southerners, and to substitute others. This is the managerial, bureaucratic, therapeutic state that Paul Gottfried talks about, and that state lends itself legitimacy through the welfare state by buying off more and more constituencies.

You might say it started with the agricultural program that favored the South under Roosevelt. The program bought off the Southern cotton growers and hog growers and corn growers, in this way orienting them in the direction of Washington. Whereas these groups had been very suspicious of Washington before, now every group in America that’s worth pandering to gets benefits and feels that it has a stake in the modern welfare and warfare state.

What could possibly represent an end to this? How could this end? I don’t see that the welfare state is going to come to an end by itself. What I see is this: it becomes more and more intractable as we approach the crisis of the welfare state. Then, the politicians, the people in control of the system, will do what has already been suggested by politicians in Europe, including in Germany. What is suggested is to bring in young taxpayers to support the old pensions and medical care for the older, retired nontaxpayers. Where are these young taxpayers to come from? The Europeans don’t seem to be—I don’t know if they’ve forgotten how to do it—very interested in having kids. (In America, the white population does not replace itself.) So, where are these new taxpayers to come from?

The answer suggested by those who run the welfare state is in the third world—that is, open up the borders to immigration so we can get these new workers and we can tax them. Of course, they’re going to get old after a while and they’re probably going to have fewer kids, but that’s going to be way in the distance, and the politicians who are worried about it now will be long since gone. They don’t have to worry about what’s going to happen down the road. This is typical of politics and implied necessarily in the logic of democratic politics. Today’s politicians don’t have to worry about what happens down the road.

What will have happened in the meantime is that they will have destroyed the identity, first of all, of the European nations. There's no such thing, as far as I can see, as a France that's one-third Muslim or an Italy that's one-third Muslim. There's an Italian *state*, but there's no such thing as an Italian identity that is one-third Muslim, or more, for that matter. So, they'll destroy the identity of the European peoples. (Eventually, also, this will happen to the American people, although we have some leeway in our country.) I don't think anybody could have predicted that. That's one thing the German liberals certainly never thought of—that it would come to that, that in order to salvage this never-ending system of welfare—one welfare program after another, more and more debt, more and more taxes—they would have to simply destroy the historical identity of the countries.

Is this pessimistic? Well, it's kind of pessimistic, you might say, but I'm not just pessimistic. By my contract with the Mises Institute, I cannot be just pessimistic, so there has to be hope.

(By the way, before I forget, if you want to know what I really think is going to happen, there's a novel by Ira Levin called *This Perfect Day*.²² There's a rather brilliant review, as it happens, of this novel on Lew Rockwell's website in the archives. It's under my name.²³ Ira Levin wrote *Rosemary's Baby*, *The Stepford Wives*, *The Boys from Brazil*, *A Kiss Before Dying*, and *Deathtrap*. He wrote this *This Perfect Day* while he was attending Objectivist lectures in New York. This is really quite a libertarian work, and it's a futuristic work. It's a glimpse into the future, and when it was in paperback and easily available, I gave out a lot of copies. I've never come across any libertarian who didn't at least *try* to read it in one sitting. You know, maybe at three in the morning, it got too late and you had to finish it the next morning. But look at the book. It gives you an idea of what I think eventually might happen.)

THE FAILURE OF CONSTITUTIONALISM

We've talked about classical liberalism in different respects this week. One thing certainly was clear, I imagine, and that was that the liberals aimed to limit government. Government was to be limited to

²²Levin, *This Perfect Day* (New York: Random House, 1970).

²³Raico, "This Perfect Hell," April 6, 2000, <https://mises.org/mises-daily/perfect-hell>.

certain functions. Things that the government had done historically, it was to leave alone. In many countries, the liberals thought that the means for doing this would be constitutionalism. A constitution is, by definition, something that limits the government—that is, it says what the government can do and, by implication, what the government *can't* do. In France, the great liberal I mentioned—maybe I wasn't able to get into as much detail on his views as I had hoped—Benjamin Constant, spent a good deal of his life coming up with constitutional arrangements for France after the Great Revolution. Liberal revolutions aimed very often principally at setting up a constitution. This was the case on the European continent, for instance, in the early nineteenth century, in Spain during liberal agitation there. In the different German states, up until Germany was unified, liberals tried setting up constitutions.

The United States Constitution is probably the most famous example of these liberal constitutions. The aim was to limit the government. The drafters tried as much as possible to do that, and just to nail it down, they added some amendments to the Constitution, the first ten of which become the Bill of Rights. (By the way, unlike, I think it's about 25 or 30 percent of American students, I am sure that you are aware of the fact that the Bill of Rights does not include the phrase, "To each according to his needs, and from each according to his abilities.")

We all know about the famous Article I—"Congress shall make no law" respecting a series of rights, such as freedom of religion, speech, assembly. And then—I don't know how many people have ever put this together—*right after* the enumeration of these basic rights, the Second Amendment comes. As William Blackstone said in *Commentaries on the Laws of England*, this is one of the major ways of *defending* our basic liberties.²⁴ The right of the people to keep and bear arms "shall not be infringed" comes right after the First Amendment.

Let's go on to the end of the Bill of Rights. Now, what more could you *possibly* put into writing that would guarantee a limited government—and would guarantee the freedom of the people—than this?

²⁴William Blackstone, *Commentaries on the Laws of England* (Oxford, 1768), 1:144. Blackstone writes, "To vindicate these rights, when actually violated or attacked, the subjects of England are entitled, in the first place, to the regular administration and free course of justice in the courts of law; next to the right of petitioning the king and parliament for redress of grievances; and lastly to the right of having and using arms for self-preservation and defense."

Article IX reads, “The enumeration in the Constitution, of certain rights, shall not be construed to deny or disparage others retained by the people.” You’d suppose that would be enough. What does Article IX mean? It says these are not the only rights people have. In fact, it’s the other way around. The government has just a few powers, and the people are swimming in an ocean of rights. They have the right to have families, they have the right to travel, they have the right to educate their kids, they have one right after the other.

And then, Article X, the last of the Bill of Rights, states, “The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively or to the people.” That nails it down, right? The federal government can only do precisely what it’s given authority to do in the body of the Constitution.

It was a heroic attempt to limit government, but very quickly the Hamiltonian and then the Whig tradition arose in America to expand the powers of the national government. Very quickly also, the national government’s own Supreme Court set itself up as the ultimate arbiter of the Constitution and interpreter of the Constitution. That’s very dangerous. What could be a protection against this? What could be a protection against a national government doing all kinds of things in the economy—protective tariffs, so-called internal improvements, pork for their contractor friends in the railroads, and printing money—that it forces on the people? What could prevent the federal government from doing that? Well, *the states*. It’s a federal system, and in critical times, some states even threatened secession when they thought that the federal government was going beyond its legitimate powers.

Famously, in the 1830s, South Carolina threatened to secede over the tariff—not over slavery but over the tariff. But then there came to power in the United States a party that was perceived by a large part of the population as aiming to implement, once and for all, the Hamiltonian and Whig program. Supporters of this program said they were going to be putting into effect a protective tariff, the consequence of which would be to fatally harm the interests of the South—and then secession came.

There have been a number of interesting pieces written on the Constitution of the Confederate States of America, one of which is a 1992 article by a friend of the Institute, Randall Holcombe. Holcombe points out that the framers of the Southern Constitution very well understood principles of public choice, so that their legislature was prohibited

from erecting protective tariffs and giving special favors, bounties, and so on, to industry.²⁵ Marshall DeRosa, who has spoken at the Mises Institute, has discussed the Confederate Constitution in a little book and comes to similar conclusions—that is, that the Confederate Constitution, because of the experience of the American people up until that time, was dedicated to preventing the Confederate government from acting the way the federal government had acted.²⁶ This was the last great attempt to thwart the will of Washington, and it came down to a struggle of arms—as it had in England in the seventeenth century, as it had with the Italian city-states against the German emperor in the twelfth century, as it had with people fighting for their freedom at different times in history.

(Before you bring in the question of slavery, I think maybe you might consider what a great lover of the slaves like General Sherman had in mind, going from Atlanta to the sea, burning deliberately, consciously burning every possible means of subsistence in his way. What were the tens and tens of thousands of slaves on the plantation supposed to be living on when the Union soldiers killed all the chicken and livestock and burned all the cornfields and destroyed all the other means of subsistence? No concern for the slaves there, it seems.)

The South was defeated, and as Lord Acton wrote to Robert E. Lee, that was the end, as far as he could see, of the limit to the sovereignty of the one power center in Washington.²⁷ Acton supported the Southern cause not because he was a friend of slavery but because he thought this was the one possible bulwark against federal tyranny, the right of secession of the states.

Now there seems to be no limit—no institutional limit, no theoretical limit—to what the national government can do. You say, “Well, we still have the Bill of Rights.” Well, we have the Bill of Rights, but the Bill of Rights has to be *interpreted*. It’s interpreted by the federal

²⁵Holcombe, “The Distributive Model of Government: Evidence from the Constitution,” *Southern Economic Journal* 58, no. 3 (January 1992): 762–69, <https://doi.org/10.2307/1059842>.

²⁶DeRosa, *The Confederate Constitution of 1861: An Inquiry into American Constitutionalism* (Columbia, MO: University of Missouri Press, 1991).

²⁷Acton to Lee, November 4, 1866, in Dalbger-Acton, *Essays in the History of Liberty*, vol. 1, *Selected Writings of Lord Acton*, ed. J. Rufus Fears (Indianapolis, IN: Liberty Classics, 1986), 1:362–64.

Supreme Court. Take the First Amendment—we now know that, according to the court, commercial speech is not privileged speech. Pornographic speech, of course, is not privileged speech. It's not "privileged" per se, in that Congress may not infringe on it. So, what happens when five or six majority liberals, so-called, on the Supreme Court—maybe graduates of the law schools which are preaching this very point today—decide that *hate* speech is not privileged speech, that it doesn't come under the protection of the First Amendment? Hate speech can include everything that you might think of including. Hate speech might very well include—it could be argued in court—doing away with welfare in New York City. One might say, "Well, that's hate speech because the implication is clearly that we should do away with welfare for minority populations, which are the great bulk of the people who get welfare in New York City." This seems strange to you? I would suggest that political correctness a few decades ago—and the extent to which it's gone in America and Europe—would have seemed very strange. My point is that the Bill of Rights, per se, is not going to be a protection for all liberties.

SECESSION: DISMANTLING THE STATE

So, what to do? Ever since I translated Mises's *Liberalism* many years ago, and even before that, I've been interested in the history of classical liberalism, and most of my research has been concerned with that. I'm coming to a conclusion—which I held theoretically but feel more strongly about and hold, you might say *practically*, now—that there is no answer within classical liberalism. The liberals had no answer because they strove to preserve *the state*. I say, "held this view *theoretically*," because I agree with Murray Rothbard, my old friend, that ultimately the kind of system we want is a system where individuals are empowered to select their own means of defense—their own, let's say, defense agencies and their own courts, just as they select any other service of theirs. So, I held that theoretical view for a long time, but now, what I'm telling you is that it's very clear that there is no way of salvaging "limited government." It's simply going to be getting worse and worse, so our *more direct and immediate aim* has to be to destroy the centralized state, to do away with the centralized state in stages.

I'm not talking violent revolution. As a matter of fact, I hope that the leaders of the United States—President Bush, Ariel Sharon, and the other leaders of the United States—live forever, and I wish them

well. Joking aside, obviously I'm not talking about violence. Start violence and see what happens. If we do that we're going to be like the Branch Davidians all over again.²⁸ So, it has to be, of course, education and political action. But the aim has to be to break down the central state.

When I say, "by any means necessary," I mean, for instance, secession. The Mises Institute has a whole book of very interesting scholarly essays on the question of secession.²⁹ Secession of provinces—as, for instance, Lombardi in Italy. (If Lombardi is going to secede from Italy, I don't understand why Verona has to be enslaved under the tyranny of Milan; so, we want secession at that level also.) Let's hope the Basques and the Catalans get their independence from Spain, and Corsica from France. The breakup of Belgium—the sooner it happens, the better. If that happens, I don't know where the bureaucrats are going to escape to, but wherever they go, they take our best wishes with them.

So, the goal is the breakup of states, down into provinces, into *cities*. Then, finally, we want secession down to the secession of any individual who wants to see to his own defense and the defense of himself and his family. You don't have to think in terms of some family in Idaho or something like that—except, I wish all the best to them. All they want to do, as far as I can see, is live their own lives by themselves, as the Weaver family did at Ruby Ridge until the federal government got interested.³⁰ But I don't mean necessarily that. I mean, for instance, proprietary communities. A company can get together, buy land in a certain area, and provide also for the security and the police of that area. If you rent or you buy some property from this company and they take care of your security interest, as they take care of the water interest, the electricity interest, whatever else might be involved—there you have an independent community. Those communities, by the way,

²⁸This is a reference to the Waco massacre in Waco, Texas, where federal agents in 1993 attacked the so-called Branch Davidian compound leading to the deaths of eighty-two people inside, including twenty-eight children.

²⁹David Gordon, ed., *Secession, State and Liberty* (New Brunswick, NJ: Transaction, 1998).

³⁰The home of the Weaver family, in Ruby Ridge, Idaho, was the site of a 1992 attack by federal marshals, which resulted in the deaths of Vicky Weaver, Samuel Weaver, and Deputy US Marshal W.F. Degan. Federal agents had been attempting to arrest Randy Weaver for failure to appear in court on federal firearms charges. Weaver had been given an incorrect court date.

can be on the basis of religious affiliation or on the basis of other values of some kind.

This would be true diversity. When people talk about diversity, they don't mean diversity. What they mean is, every place in the country having exactly the same composition. Real diversity would mean, if you have an area like Alabama, you have communities of blacks, and then you have communities of people who prefer to remain among themselves—whites or Scots-Irish or Italians or homosexuals or heterosexual families who want to keep homosexuals out. That would be a collection of diverse communities, and it seems to me that this all has to be worked out. We're not going to do it tomorrow, but it seems to me it would be very possible for these communities to see to their own self-defense, as well. As a matter of fact, in a community where people tend to be of one kind among their own kind, it would be easier to see to the prevention of ordinary crime, I think, than in some Babylon like New York or Washington.

I think this is the only hope, unless you can suggest something else. I don't think classical liberalism is possible anymore. What you have to read in connection with this, and really one of the finest books written in recent years, is a book by Hans-Hermann Hoppe called *Democracy—the God That Failed*.³¹ *The God That Failed* refers to a famous book of the 1950s—a collection of essays by ex-communists called *The God That Failed* about communism.³² Hoppe outlines and backs up much of what I've said in the last few minutes with a panoply of arguments.

FINAL COMMENTS

Finally, just to remind you of what we've done this week—basically, we've gone into a study of history. History is a struggle of liberty. We've looked here at how liberty came out of Europe, how liberty developed in Europe, the history of classical liberalism, and how it was faced with various enemies. The basis of everything we've done, I think, is a feeling that I have, and that the Mises Institute has, that history is a very important part of understanding the case for liberty and the possibilities of liberty.

³¹Hoppe, *Democracy—the God That Failed* (New Brunswick, NJ: Transaction, 2001).

³²Richard Crossman, ed., *The God That Failed* (New York: Harper and Brothers, 1949).

It's not an accident that George Orwell in *1984* talks about history and the rewriting of history—the constant rewriting of history by the men in power and the tyrants. There's a mantra or a saying that goes throughout the book: "He who controls the past, controls the future, and he who controls the present, controls the past." He who controls the past controls the future because people make up their minds about what they want, what they will support, and what they will fight for, very often on the basis of their understanding of history. We talked about this in the context of the Industrial Revolution. He who controls the present controls the past because the past doesn't exist by itself. Oh, there are written records, but in Orwell's world, those records can simply be destroyed or obliterated and fabricated. There are gravestones, there are coins. There are residues, but basically, those who control the interpretation of the past control the past. People of the present time who, because of their positions of power, control the understanding that people have of the past, they can control it and in that way control the future.

We don't want to put ourselves in the position of having to accept their version of history. As an Italian American, I go back often to Machiavelli, who was not a nice man, but he was a very smart man and a very sharp man. In *The Prince*, he talks about men who want power and gain power, what the nature of power is, and what the nature of politics is. He says he is writing for a few people and not for the mass of people. Machiavelli contends the mass of people prefer appearance to reality. They prefer their fantasy to what actually exists. If they knew what politics really was, they wouldn't have a good night's sleep for the rest of their lives.³³

It really is scary, and there are only some men of strength, some men of power, some men of force, who can deal with this. The average person is born to be a sheep, and, as another Italian, Pareto, said, "he who plays the sheep will find the butcher."³⁴

I see some value—beyond simple interest, which is good enough—in historical studies. Thank you.

³³Niccolò Machiavelli, *The Prince*, trans. Luigi Ricci (London: Oxford University Press, 1903), pp. 60–61, 71.

³⁴Another variation in English is, "Whoever becomes a lamb will find a wolf to eat him." See Vilfredo Pareto, *The Other Pareto*, ed. Placido Bucolo (London: Scholar Press, 1980), p. 122.

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Index

Compiled by Roger E. Bissell

- Abbas, Ali Ismail, 99n29
Adams, Charles, 89
Aegean, 220
Afghanistan, 110
Alaska, 217
Albania, 105–6
Albornoz, Bartolome de, 48
Algeria, 111
Amanpour, Christiane, 105
American Civil War, US Civil War, 63, 89, 115, 214. *See also* Confederate States of America; Southern Constitution
American colonies, 50, 54
American government, United States government, 101, 105–6, 114, 120, 170, 226, 229, 233, 249n20. *See also* under United States
Amsterdam, 23, 36–39, 39n28
Anglo-American, 55, 224
Anglocentrism, 65
Anglo-Saxon, 32, 52, 224
Anti-imperialist League, 106
Antwerp, 23, 36, 38
Applebaum, Anne, 209–10
Appleby, Joyce, 56
Arab-Israeli War of 1967, 117
Arab (Shiite, Sunni) Muslims, 240
Aragon, 25
 the Cortes, 25
Argentina, 134
Aristotle, Aristotelianism, 45, 204
Ashcraft, Richard, 55
Ashton, T. S., 131, 141
Atkinson, Edward, 106
Atlas Foundation, 47
Aulard, Alphonse, 225
Auschwitz, 75
Australia, 20–21, 60
Austria, 42, 111, 116, 215, 219–20, 222, 225, 239–40
 Austrian Empire, 104, 215, 222. *See also* Austria-Hungary
 Austrian Habsburgs, Habsburgs of Austria-Hungary, 36n24, 104, 215
 Austrian states, 245
Austria-Hungary, Austro-Hungarian Empire, 36n24, 135, 215–16, 218, 220–22, 239, 241
Austrians (economic school), 7, 42, 46, 59, 77, 91, 165–66, 189, 245
authentic liberals, 49, 65, 72, 82, 111–12
authentic Marxists, 203
Aztecs, 20

Babeuf, François-Noël, 182–83
Bacon, Francis, 78, 189
Baechler, Jean, 21–22, 34, 34n23
Bakunin, Mikhail, 198, 198n17, 199, 199n18, 200, 200n21
Balfour, Arthur, 241n3
 Balfour Declaration, 241
Baltic Sea, 33, 213, 239
Bangladesh, 120
Bank of England, 74
Baptists, 130

- Bastiat, Frédéric, 48, 77, 79, 79n33, 90, 101, 101n36
- Bauer, Peter, 23–24, 24n11, 31
- Bavaria, 213–14
- Bay of Pigs invasion, 119
- Bazard, Amand, 187
- Bohemia, 185
- Belarus, 209
- Belgium, 25, 35, 112, 222, 224–25, 244, 256
- Bellesiles, Michael, 208, 208–9n38
- Bernier, Francois, 32–34
- Bernstein, Eduard, 44, 44n7, 200–1
- Bethlehem Steel (US arms company), 219
- Bill of Rights, 62–63, 81, 232, 252–55.
See also United States: US Constitution
 Article IX, 253
 Article X, 253
 First Amendment (Article I), 252
 right to bear arms (Article II), 252
- Birdzell, L. E., Jr., 135, 137
- Bishop of Rome, 20
- Bismarck, Otto von, 8, 14, 116, 165, 213, 213–14n5, 214, 216, 219–20, 246–47, 247n17, 248
- Black, Hugo, 232
- blacks, 115, 123, 257
- Blackstone, William, 252, 252n24
- Blair, Tony, 125, 125n22
- Blanqui, Adolphe, 80–81, 84
- Boer republic, 115
- Boer War, 109, 115
- Bolsheviks, 166–67, 198, 202–4, 241
- Bonald, Louis de, 188
- Bourne, Randolph, 19, 96, 97n22
- Bovard, James (“Jim”), 123–24
- Branch Davidians, Waco massacre, 256, 256n28.
- Braudel, Fernand, 141
- Breaugh, Martin, 138n4
- Brecht, Berthold, 157
- Brezhnev, Leonid, 168
- Bright, John, 97–99, 102–3, 146. *See also* Richard Cobden
- Britain, Great Britain, 52, 54, 66, 71–72, 74–75, 77–78, 81, 101, 104, 109, 111, 115–16, 125, 128–30, 132, 138, 140–41, 143, 195, 206, 208, 210, 217–19, 222–24, 224n13, 225–31., 224, 238, 240–41, 244. *See also* England
 British colonists, British immigrants, 109, 229
 British Empire, British imperialism, 37, 96, 96n21, 102, 110, 217–19
 British government, 109, 155, 224, 217, 219, 224, 230, 244
 British invasion of Iraq in 2003, 125n22
 British military, 217
 British monarchy, 230
 British Parliament, 29, 115–16, 130, 223–24.
 Charles I, 50–51
 Charles II, 53
 Cromwell, Oliver, 51, 53
 Elizabeth I, 37
 Gladstone, William, 97, 103
 Glorious Revolution (1688), 55
 James II, 55
 mid-Victorian Britain, 97. *See also* English Victorian society
 Whiggish British society, 188
 William and Mary, 55
- British East India, 67
- Brougham, Henry, 61
- Bryan, William Jennings, 228, 230
- Bryant, William Cullen, 93
- Buchanan, James (“Jim”), 66, 90–91, 91n9
- Bulgaria, 220
- Bullock, Lord Alan, 171
- Burke, Edmund, 78, 188
- Bush, George W., 114, 229, 243n5, 244, 255
- Byzantine Christianity, 27
- Calhoun, John C., 92
- Calvinists, 36–37, 70
- Cambodia, 218
- Cameroons, 217
- Canada, 44–45, 52, 120, 123
- capitalism, 83, 87, 95, 98–99, 103, 128–29, 134, 137, 140–41, 145, 147–48, 150, 154–55, 160, 162
 anticapitalism, 67, 149, 157–59, 163

- “der tag,” coming of “the day”
(doomsday for capitalism), 201,
201n24
- laissez-faire, laissez-faire capitalism,
pure capitalism, 13–14, 42–44,
57, 60, 98, 146
- modern capitalism, 141, 193
- precapitalist, 141
- Carpenter, Ted Galen, 115, 117
- Castro, Fidel, 109, 121
- Catholic Church, 25, 27, 31, 37, 46, 61,
63, 68, 76, 84, 124, 180, 188, 191–92,
238, 247
 - anti-Catholic bias, 46, 58
- Cato Institute, 115
- censorship, 124
- Chadwick, Owen, 70–71
- Chafuen, Alexander, 47
- Cheney, Dick, 243, 243n6
- Chile, 119
- China, 21, 28, 30n18, 34, 34n23,
99–101, 109, 120, 219, 245
 - Communist Party of China, 206
 - Opium Wars against China, 99
 - peasant uprisings, 30n18
 - Shandong Province, 131
- Chinatown, 131
- Christian, Christianity, 23, 25–27, 31,
69–70, 105, 180–81, 183, 192, 208,
219, 240
- Church of England, 99, 130, 144
- Churchill, Winston, 117, 212, 239
- Cicero, 159
- civil liberty. *See under* liberty
- Clapham, J. H., 131
- class conflict, 77, 79–83, 86, 89–92,
95–96. *See also under* liberalism
- classical liberalism. *See under* liberalism
- Clinton Health Program, 248
- cliometricians, 137
- Coase, Ronald, 147
- Cobden, Richard, 15, 67, 67n4, 97,
100–3, 120, 124–25, 146
- Colbert, Jean-Baptiste, 34
- Commodore Perry, 34
- communism, 52, 73, 95, 121, 129, 139,
154, 157, 166–67, 168n19, 171,
194–96, 198–204, 206–8, 210–12,
238, 245, 257
 - Comintern, Communist Interna-
tional, 171, 206
 - Communist Manifesto*, 79–80, 154,
184, 199. *See also* Marx, Karl
 - Communist Party, 73, 206
 - communist salami tactics, 124
 - Soviet communism, 74, 81, 153,
166, 168, 208–9
 - war communism, 166, 203, 208
- Comte, Auguste, 69, 82, 189, 190n3
- Comte, Charles, 82, 85
- Condorcet. *See* Marquis de Condorcet
- Confederate States of America, Ameri-
can Confederate States, 36, 115,
253–54. *See also* Southern Constitu-
tion; American Civil War
- Congregationalist Church, 63
- Congress of Vienna, 213, 237
- Conquest, Robert, 114n3, 204, 210
- conscription, 35, 232–34
- Constant, Benjamin, 66, 70, 78, 82, 85,
85n44, 181, 252
- constitution, 55, 252. *See also* France:
Confederate (Southern) Constitution;
Constitution of 1791; United States:
US Constitution; Weimar Constitu-
tion
- contracts, 24, 34, 54, 66, 91, 253. *See
also* social contract
- Corn Laws, 98, 102–3, 145
 - Anti-Corn Law movement, 54
- Cowling, Maurice, 69
- Creel, George, 23
- Crimean War, 98, 103–5, 110
- Croats, 104, 205, 220
- Dark Ages, 28, 142. *See also* Middle
Ages
- Darwinian, 108
- Debs, Eugene V., 232–35
- Declaration of Independence, 54
- Declaration of the Rights of Man and
of the Citizen, 62, 81
- de Marco, Antonio de Viti, 91
- democracy, 29, 50, 52, 63–64, 93–94,
109, 113–20, 122, 124, 149, 168,
229, 231, 238, 250. *See also* socialism:
democratic socialism

- mass democracy, mass electoral
democracy, democracy of the
taxpayers, 29
- modern welfare democracy, 148
- universal democracy, 113, 120
- Democratic Party. *See under* United
States
- DeRosa, Marshall, 254
- Descartes, Rene, 38, 78, 188
- de Tracy, Antoine Louis Claude Des-
tutt, 82
- Dewey, John, 43, 73, 157
- d'Holbach, Baron, 78
- Dickens, Charles, 142
- Diderot, Denis, 78, 174
- DiLorenzo, Thomas ("Tom"), 89
- Dirlewanger, Oskar, Dirlewanger Bri-
gade, 99n30
- division of power, 27
- Djilas, Milovan, 95n19, 199
- Dorwart, Reinhold August, 245–46
- Doyle, Michael, 116n9
- Dunn, John, 71
- Dunoyer, Charles, 82
- DuPont (American arms company), 219
- Duranty, Walter, 208
- Durkheim, Émile, 225
- the East, 21, 31–34
- École Polytechnique, 187
- economic development, 14, 23–24,
24n11, 34, 56, 60
- egalitarianism, 94. *See also* socialism
- Egypt, 103, 229
 - Egyptian government, 103
 - pharaoh, 27
- Einaudi, Luigi, 92, 92n10
- Einstein, Albert, 225
- Eliot, T. S., 75
- Elster, Jon, 173
- emperor, 27, 247, 254
 - Emperor Frederick II, Hohen-
staufen, 31
 - emperor of China, 28
 - emperor of Japan, 27
 - Emperor Theodosius, 25–26, 26n12
 - Habsburg emperor, 104
 - Holy Roman emperor, 31
 - Roman emperor, 27
- empiricism, 45, 75, 77, 163–64, 194
- Enfantin, Barthelemy-Prospere, 187
- Engels, Friedrich, 131, 154, 174, 184,
194–99, 199n20, 200. *See also* Marx,
Karl
- England, 23, 29–30, 30n18, 31, 37,
39, 41–45, 49–50, 52–57, 61, 65–67,
69, 74, 78, 85, 90n5, 99–100, 103–5,
109–10, 112, 116–17, 122, 125, 128,
130, 132–34, 138, 140, 142–45, 183,
195, 206, 213, 216–17, 219, 223,
223n11, 224–25, 227, 230, 252n24,
254. *See also* Britain
 - Asquith government, 116
 - Blair government, 125n22
 - English Civil War, 50
 - English government, 103
 - English imperialism, 102
 - English school (of economics), 47,
83
 - House of Stuart, 50
 - King John, 30–31
 - Levellers, 49, 51–52, 52n16, 53–54,
72, 94
 - Lord John Russell, 62
 - Lord Palmerston (Henry John
Temple), 62, 112
 - Manchester school, Manchester
liberals, "Little Englanders,"
97–100, 102–3, 107, 109, 248
 - Royalists, Tories, 50, 130
 - Social Democratic Party (England),
45
 - Wat Tyler's rebellion, 30n18
 - Whigs, 61–62, 92, 111, 188, 253
- Enlightenment, 174, 188, 211
 - French Enlightenment, 19, 59, 174,
179, 188, 192
 - Scottish Enlightenment, 59, 179
- Episcopal Church, 63
- Eritrea, 218
- Estates-General, 24, 36
- ethnic cleansing, 105
- Europe, 7, 13–14, 19–24, 24n11, 25,
27, 31–32, 34–37, 39, 41, 44, 47–49,
55, 60–61, 63, 65, 70, 72, 81, 86, 92,
92n10, 94, 96, 100, 104–6, 111, 120,
123–24, 129, 133–35, 137, 142, 157,
162, 213–14, 216n14, 217–222, 225,

- 231, 233, 237–38, 245–46, 250–52, 255, 257
 Eurocentric, 19
 European (economic) miracle. *See* “*Wirtschaftswunder*”
 European intellectuals, 166
 European war, 202, 222, 234. *See also* World War I
 Evans, E. J., 140
 extreme nationalists, 238
 “extreme right wing,” “hate group,” 124
- Fabian Society, 76, 138
 fascism, 50, 124, 154, 171, 206–7. *See also* National Socialism
 Ferguson, Adam, 59
 Ferguson, Niall, 218
 Ferrara, Francesco, 90, 90n5
 feudalism, 24, 85, 92, 109, 191, 193
 feudal class, 34, 103
 “Norman yoke,” 52
 Ficino, Marsilio, 46
 Florida, 121
 foreign policy, 100, 102–3, 116, 121 – 22, 125
 “democratic leash,” 116
 foreign trade, 51, 99
 Fourier, Charles, 158, 184–85
 “Fourier Complex,” 158, 184n51
 Fourier’s socialism, 185
 Fourteenth Amendment, 62–63. *See also* Bill of Rights; United States: US Constitution
 France, 19, 24, 32, 34, 38, 44, 57–58, 63, 78, 81, 85–86, 90n5, 101, 101n36, 111, 116, 122, 129, 132, 134, 141, 168, 174, 180–83, 187, 195, 206, 214, 216–19, 221–23, 223n12, 225, 237, 245, 247, 251–52, 256
 Alsace, 216
 anti-French sentiment, 195n11
 Antoinette, Marie, 58
 Bourbon Restoration, 82
 Constitution of 1791, 57, 81
 Corsica, 256
 French Indochina, 218
 French philosophes, 28, 58, 176, 180
 French physiocrats, 66, 78, 246
 French Revolution, the Great
 Revolution, 25, 54, 62–63, 81–82, 111–12, 132, 134, 144, 181–82, 188–89, 192, 225, 237, 252
 Girondins, 111–12
 Lorraine, 216
 Louis XIV, 34, 50
 Louis XVI, 58
 Napoleon, 63–64, 82, 132, 142, 165
 Napoleon III, 63, 90, 247
 Napoleonic Wars of 1815, 130, 145, 237
 Post-French Revolution, 25
 Reign of Terror, 63, 112, 182, 188
 Revolution of 1848, 90
 Third Republic, 90
 France, Anatole, 157
 Frank, Anne, 39
 Frankfurter, Felix, 232
 Frankfurt school, 171
 Franklin, Benjamin, 66, 66n3
 Franks, 85
 Frederick the Great, 57
 “freedom fries” (French fries), 233n32.
 See also “liberty cabbage,” “liberty steak”
 free market, 13, 16, 23, 38n28, 42, 51, 56, 83, 90, 92, 114, 118, 144, 146, 188, 214n5
 free trade, 34–35, 39, 66–67, 92n10, 98–99, 101–2, 107
 free trade imperialism, 101
 North American Free Trade Agreement, 102
 Freud, Sigmund, 225
 Friedman, Milton, 7, 66, 163, 165
- Galbraith, John Kenneth, 43
 Galicia, 215
 Garden of Eden myths, 141
 General Sherman, 254
 genocide, 19–20, 105–6
 Germany, 31, 43–44, 57, 73–75, 116, 127, 134, 157, 200, 202–3, 206–7, 213–16, 218–21, 223–30, 233, 237–42, 245–47, 250, 252. *See also under* National Socialism
 Berlin, 218, 223–24
 Dresden, 198, 198n17

- Federal Republic of Germany, West Germany, 171, 248
 First Reich (Holy Roman Empire), 214
 Frankfurt, 213
 German city-states, 213
 German Social Democrats
 German South West Africa, 217
 German states, 25, 214, 245, 252
 Hamburg, 213
 Hohenstaufen, Frederick II, 31
 Hohenzollern dynasty, 229–30, 247
 Left Bank of Rhine River, 112
 Nazi Germany, 224, 242
 Reichstag, 116, 202
 Second Reich (under Bismarck), German Reich, Imperial Germany, 116, 213
 Third Reich (under Hitler), German Reich, Nazi Germany, 213–14, 224. *See also* National Socialism
 Weimar Republic, Weimar Constitution, 157, 229
 Wilhelm II (kaiser), 216, 219, 222
 Ghana, 129
 Giddens, Anthony, 190n3
 globalist, 122
 Godkin, E. L., 106
 Gordon, Thomas, 54, 54n23, *See also* Trenchard, John
 Gottfried, Paul, 249–50
 government, 50–51, 54–56, 56n29, 61n38, 80, 82, 84, 86–87, 93–94, 99–102, 102n40, 104, 107–9, 113, 116–18, 124–25, 129, 132, 144, 156, 170, 199, 207, 225, 244, 246–47. *See also* American government. *See also* under Britain; Confederate States of America; Egypt; England; Italy; NATO; Poland; Russia; Transvaal; United States
 bourgeois government, 206
 central government, centralized government, 52, 63
 communist government, 206
 federal government, national government, 62, 86, 170, 249n20, 253–54, 256
 foreign governments, 100
 government bureaucrats, 245
 government-funded programs, government grants, 43, 93, 247–48
 government interventionist, government interventionism, 34, 126–27
 government monopolies, 51, 80
 government privilege, 84, 92
 government regulation, 201, 245
 limited government, 251–53, 255
 Lockean government, 54, 178
 revolutionary government, 51, 64
 world government, universal government, 120
 Gray, Alexander, 183, 187, 194
 Gray, John, 70
 The Great Depression, 127–28
 The Great War. *See* World War I
 Greece, Greeks, 27, 61, 85, 97, 97n25, 106, 114, 162, 179, 190–92
 city-states, 115
 classical Athens, 115
 Greek Christianity, 27
 Grice-Hutchinson, Marjorie, 46
 Grotius, Hugo, 49
 Guatemala, 119
 Gypsies, 215
 Habsburgs, 36, 104, 215
 Austrian Habsburgs, 36n24
 Spanish Habsburgs, 36, 36n24, 48–49
 Hamburger, Joseph, 69–70
 Hamilton, Alexander, 93, 253
 Hammond, Barbara, 138
 Hammond, J. L., 138
 Harding, Warren, 235
 Hart, David, 100
 Hartwell, R. M. (“Max”), 132, 148–49
 Hayek, Friedrich A., 7–8, 13, 43, 59, 77–78, 114, 126, 128, 131, 148, 150–54, 158, 167, 171, 189, 244–45
 Hedges, Chris, 226
 Hegelian, 154, 184, 194
 Heine, Heinrich, 193
 Heraclitus, 97, 97n25
 Herbert, Auberon, 43
 Hexter, John, 29
 Hicks, John, 22

- Higgs, Robert ("Bob"), 97, 165n13, 168–70, 211–12, 227, 231
- Hirschman, Albert O., 79, 81, 86
- Hobbesian state of war of all against all, 54
- Hobhouse, Leonard, 43–44
- Hobsbawm, Eric, 137
- Hobson, J. A., 43–44
- Holcombe, Randall, 253
- Holland. *See* North Netherlands
- Holmes, Stephen, 42
- Holocaust. *See under* National Socialism
- Holy Roman Empire, 213–14. *See also* Germany: First Reich
- Holy See, 28n14
- Hoppe, Hans-Hermann, 7, 80, 257
- Horkheimer, Max, 171
- Huffman, Gerhard, 157
- Hughes, H. Stuart, 171
- Hülsmann, Jörg Guido, 77, 248
- Humboldt, Wilhelm von, 15, 110, 246
- Hume, David, 59, 78, 166, 179
- Hungary, 25, 215. *See also* Austria-Hungary
- husband-dominated family, 140
- Hussein, Saddam, 125
- Iberian Scholastic school, Iberian School, Spanish school, late Scholastic school, 47, 49
- imperialism, 85, 103, 106, 109, 111, 149, 218–19. *See also* free trade imperialism. *See also under* Britain
- India, 21, 32, 120
- British East India, 67, 111
- individualism, 43, 77–78
- Indonesia, 120, 129
- Industrial Revolution, 16, 21, 28, 111, 113, 126, 128–29, 131–33, 135, 137–39, 139n11, 140–42, 144–45, 148, 171–72, 258
- "democratization of consumption," 141
- industrialization, 16, 111, 128–29, 132–34, 141, 143
- intelligentsia, 66, 72, 166
- Iran, 119
- Ireland, 135, 135n34
- Diaspora of the Irish, 135
- Irish famine, 135, 140–41
- Republic of Ireland, 135n34
- Islam, 21. *See also* Arab Muslims
- isolationist, 61, 100, 127, 231, 242. *See also* non-interventionist
- Israel, 105, 117
- Italy, 73, 90–91, 116, 116n10, 134, 154, 200, 202, 207, 213, 215–16, 218, 220, 223, 229, 251, 256
- Calabria, 134
- Colosseum, 27
- House of Savoy, 216n7
- Italian city-states, 29, 36, 254
- "Italian Problem," 207
- Italian Republic, 92, 92n10
- Lombardi, 220, 256
- Milan, 256
- Mussolini, Benito, 154, 201–2, 207–8, 229–30
- Naples, 25, 32, 134, 145
- Northern Italy, 36, 112
- Southern Italy, 134
- Sicily, 25, 32, 134, 216, 229
- Venezia, 220
- Jacksonian, 54, 92–93
- Jacobins, 112, 144, 183, 198
- Jamaica, 130
- Japan, 27, 34–35, 101, 217, 232, 242
- Jefferson, Thomas, 54, 57, 93, 93n13, 124
- Jeffersonian, 54, 56, 92–93
- liberal "Jefferson orthodoxy," 214n5
- Jeffrey, Francis, 61
- Jews, 31, 38, 61, 75, 106, 199n20, 200, 200n21, 215, 241
- Amsterdam Jew, 38–39. *See also* Spinoza, Baruch
- Budapest Jew, 31
- Iberian (Portuguese and Spanish) Jews, 38
- Orthodox Jews, 68
- Johnson, Lyndon, 117
- Jones, E. L. (Eric), 20, 60
- Jouvenel, Bertrand de, 148
- Joyous Entry of Brabant, 25

- Kant, Immanuel, Kantianism, 45, 99, 246, 246n15
 Karp, Walter, 228
 Kennedy, John, 119
 Kennedy, Paul, 23
 Keynes, John Maynard, 43, 72–77, 81, 177
 Khrushchev, Nikita, 150, 150n38, 167, 202
 Kirk, Russell, 52
 Kitch, Edmund, 147
 Koenigsberger, H. G., 29
 Kolakowski, Leszek, 195, 205
 Kors, Alan, 19
 Kosovo, 105–6
 Kossuth, Lajos, 104
 Krupp (German arms company), 219
 Kuczynski, Jurgen, 139
 Kuwait, 240
- La Boétie, Étienne de, 243
 labor theory of value, 59, 83
 laissez-faire, 13, 42–44, 57, 60, 74, 93, 126–29, 146, 246. *See also* under capitalism; liberalism; society
 Landes, David, 22
 Langton, Stephen, 31
 Lansing, Robert, 230–31
 Laos, 218
 Laslett, Peter, 55
 Lassalle, Ferdinand, 199n20
 Layne, Christopher, 115
 League of Nations, 127–28, 227n21, 238, 241
 Lebanon, 240
 Lecky, W. H., 71
 Lee, Robert E.
 Leggett, William, 92–95
 Lenin, 14, 76, 114, 114n3, 165–67, 171, 187, 195–96, 198, 201–3, 205–7, 207n36
 Marxism-Leninism, 166
 Levasseur, Thérèse, 175
 Levin, Ira, 251
 liberalism, 7, 19–20, 22, 30n18, 45–46, 49, 54, 54n23, 55, 57–58, 61–68, 70–76, 78, 80–81, 94, 96–97, 99–100, 106, 110, 112, 116, 121, 155, 166, 177–78, 180, 191, 214n5, 228–29, 231–32, 235, 245, 255. *See also* socialism: democratic socialism; Levellers
 Anglo-American liberalism, 55, 94
 antiliberalism, 158
 antiwar liberalism, 106
 bourgeois liberalism, 52, 81
 classical liberalism, 14, 19, 22, 41, 54, 61, 72, 77, 79, 81–82, 87, 94–95, 97–98, 100, 106–8, 111, 113, 116, 120, 130, 143, 145–46, 148, 163, 238, 246, 251–52, 255, 257
 French liberalism, 7, 16, 78, 80, 82, 89
 German liberalism, 7–8, 214n5, 245, 247–48, 251
 laissez-faire liberalism, authentic liberalism, radical liberalism, 13–14, 42–44, 48, 53, 65, 92, 92n10, 112, 213. *See also* libertarianism
 liberal class conflict theory, 86, 90, 95–96. *See also* class conflict
 liberal revolutions, 62, 252
 Manchester school liberals, 98–99, 248
 old liberalism vs new liberalism, 43–44
 “state hatred,” 64
 libertarianism, 7–9, 13, 16, 22–23, 45, 91, 97, 100, 113, 120, 124, 143, 146, 146n28, 148, 251. *See also* liberalism: laissez-faire liberalism
 libertarian movement, 53–54
 Liberty Fund, 100
 liberty, individual liberty, 7–8, 17, 19, 26, 52, 54–55, 63, 66, 66n3, 68, 70, 81, 108, 118, 178, 244, 257
 civil liberty, 66, 66n3, 114, 120, 143–44, 232, 232n30
 Liberty Bonds, 244
 “liberty cabbage” (sauerkraut), 233n32
 “liberty steak” (hamburger), 233n32
 Libya, 218
 Lieberman, Joseph, 105
 Lilburne, John, 51
 List, Friedrich, 65
 Lithuania, 213, 239

- Livingston, Don, 227
- Locke, John, 38–39, 45, 49, 53–54, 54n23, 55, 76, 109, 166, 177–78
- Lord Acton, 13, 19, 25–26, 71, 254
- Lord Rothschild, 241n3
- Low Countries, 24–25, 29, 35. *See also* Belgium; Netherlands
- Dukes of Burgundy, 35–36
- Ludwig von Mises Institute, 7–8, 11, 14–16, 41, 47, 81, 177, 243, 247, 251, 254, 256–57
- Luxemburg, Rosa, 201
- Lycurgus, 179
- Macaulay, Thomas Babington, 61, 71, 143–46
- MacMillan, John, 116n10
- MacPherson, C. B., 52, 52n16
- Madagascar, 218
- Magyars, 104
- Maistre, Joseph de, 188
- male-dominated labor unions, 140
- Malia, Martin, 166–67, 195, 205
- Malthus, Thomas Robert, 77, 83, 140
- Malthusian poverty trap, 21, 140
- Manchester school liberals. *See under* liberalism
- Mariana, Juan de, 47
- Marquis de Condorcet (Marie Jean Antoine Nicolas de Caritat), 58, 99, 111–12
- Marx, Karl, Marxism, 14, 16, 32, 45–47, 65, 75, 79–80, 86–87, 95–96, 131, 137, 146, 154, 166–67, 173–74, 183–84, 187, 193–96, 198–99, 199n20, 200, 200n21, 201–6, 211, 214n5. *See also* Engels, Friedrich; Lenin: Marxism-Leninism
- “alienation” 195–96. *See also under* rights
- Paris Manuscripts, 194
- Mathiez, Albert, 225
- Mazzei, Phillip, 57
- McKendrick, Neil, 141–42
- McKinley, William, 228
- McNamara, Robert, 242
- McNeill, William, 24
- Mencken, H. L., 75, 227, 227nn20–21, 233
- mercantilism, 34, 37, 56, 72, 133, 245
- merchant, 30–31, 34, 83, 100, 144, 159, 177
- Merchant Adventurers company, 51
- Middle Ages, 8, 14, 16, 23–24, 24n11, 25, 27–29, 31, 46, 52, 142, 188, 192. *See also* Renaissance
- High Middle Ages, 28. *See also under* Saint Thomas Aquinas
- late Middle Ages, 33, 36, 45, 48
- militarism, 14, 96, 98, 229
- Mill, James (Lord Palmerston), 62
- Mill, John Stuart, 45, 65–67, 67n4, 68–72, 75, 77, 103–4, 108
- Milton, John, 143–44
- Ministry of Truth, 125. *See also* “memory hole”
- Mirabeau (Victor de Riqueti, marquis de Mirabeau), 246, 246n14
- Mirandola, Giovanni Pico della, 46
- Mises, Ludwig von, 7–8, 13, 21, 41, 43, 59, 97, 133, 153, 158–60, 165n13, 167, 173, 184n51, 204, 213, 213–14n5, 225, 255
- Mises Institute. *See* Ludwig von Mises Institute
- modernize, 35
- Mohammed, 165
- Molina, Luis de, 47–48
- Molinari, Gustave de, 15, 89–91
- monopoly, trust, 51, 63, 80, 94, 126, 128, 146
- Montenegro, 220
- Mont Pelerin Society, 13, 148–49
- Moravia, 215
- Morgan, J. P., House of Morgan, 234
- Morley, John, 116
- Morocco, 219
- Moseley, Merritt W. Jr., 227n20
- Moses, 179, 183
- National Socialism, Nazis, 72–73, 124, 154, 157, 171–73, 207–10, 211–12, 238. *See also* Germany: Nazi Germany
- Goebbels, Joseph, 244
- Hitler, Adolph, 127–28, 165, 171–72, 208, 210, 213, 229–30, 244
- Holocaust, 105, 208

- SS, 99, 99n30
 NATO, 106
 Naumann, Friedrich, 43
 Netherlands, 25, 35–36. *See also* Northern Netherlands
 Dutch, 29, 33, 35–38, 38–39n28, 39, 49, 109
 Dutch economic comeback, 37n25.
 See also “Wirtschaftswunder”
 Dutch ports, 227
 Dutch Protestants, 181
 Dutch Republic, 37–38
 revolt of the Dutch, 36–37, 49
 New Deal, 84n43, 127
 New Economic Policy, 167, 203
 New Guinea, 217
 New Testament, 26, 183
 Nixon, Richard M., 235
 nobility, 24, 81, 85, 94, 103, 130, 187, 191
 nomenklatura, 95
 noninterventionist, 67, 104, 112, 127.
 See also isolationist
 North Caucasus Famine, 208
 North, Douglass, 21, 168–70
 Northern Netherlands, United Provinces, 36
 Holland, 36–37
 Groningen, 37
 North Sea, 23, 33, 227
 Nozick, Robert (“Bob”), 43, 146, 146n28, 156, 203

 obligations and duties, 24, 217
 objective theory of value (labor input), 47. *See also* subjective theory of value (utility)
 Old Testament, 183
 Orange Free State, 109
 Ottoman Empire, 219–20, 240
 Outlanders, 109
 Overton, Richard, 51–54

 Paine, Thomas (“Tom”), 54, 56, 56n29, 57, 61, 61n38, 99, 112
 Palestine, 229, 240–41
 Palmer, Alexander, Palmer raids, 234
 Pan-Slavism, 220–21
 Pantaleoni, Maffeo, 91

 Pareto, Vilfredo, 15, 79, 79n32, 90–91, 258
 “Pareto optimality,” 90
 Paris Commune (1871), 183, 198
 Paris Peace Conference, 122, 231, 238
 parliaments, 24–25, 29. *See also* under Britain
 Pearl Harbor, 242
 peasant uprisings. *See* under China; Russia
 Perle, Richard, 243
 Philippines, Filipinos, 106, 217, 233, 242
 Pipes, Daniel, 203
 Pipes, Richard, 202–3, 207, 207n36
 Pirenne, Henri, 225
 Planned Parenthood, 124
 Plato, 183
 plutocrat, 94–95
 antiplutocrat tradition in America, 95
 Poland, 25, 57, 134–35, 195, 207, 207n36, 208, 239
 Danzig, 239
 Great Poland, 239
 Polish Corridor, 239
 Polish government, 195n12
 Polish-Soviet war of 1919–20, 207
 Poniatowski, King Stanislaw, 57
 political decentralization, 14, 23, 27, 36
 radical decentralization, 22
 pope, papacy, 28, 28n14, 32, 175, 188, 191
 Pope Urban V, 28n14
 Pope Urban VIII, 28n14
 population, 21, 29, 57, 86, 101, 115, 120, 129, 133–35, 135n34, 137, 140, 155, 172, 217, 220, 231, 233, 239, 248–50, 253, 255
 limit of population, 133, 140–41
 population explosion, 133, 141
 Pound, Ezra, 154
 Presbyterians, 130, 181, 227
 Preston, Ronald H., 28n15
 Price, Richard, 54
 Priestly, Joseph, 54
 private property, 31, 33–34, 38, 45, 47, 52–53, 72, 143, 149, 166, 176–77, 182
 Progressive movement, 126, 214n5, 229

protectionism, 14, 67, 90
 protective tariffs, 91–92, 253–54
 Protestant, 25, 36–37, 58, 180–81, 188, 192
 Proudhon, 198, 200n21
 Prussia, 57, 111, 213–14, 245–46. *See also* Germany
 East Prussia, 222
 Pufendorf, Samuel, 49

 Quakers, 130

 Raeder, Linda, 69–70
 Raico, Ralph, 7–9, 11, 13–17, 30n18, 36n24, 37n25, 38n28, 41n1, 44n7, 46n8, 48n11, 58n32, 61n39, 73n19, 92n10, 93n14, 96n21, 97n25, 99n30, 108n45, 114n3, 134n33, 139n11, 146n28, 149n37, 157n51, 159n53, 165n13, 166n15, 178n41, 180n44, 184n51, 191n4, 208–9n38, 216n7, 226n19, 232n30, 249n20
 Rand, Ayn, 46n8, 84n43, 133, 133n32, 153, 159, 203
 Rawls, John, 43
 Reeve, Henry, 61
 Reformation, 36, 188, 192
 Post-Reformation, 25
 religion, 38, 51, 63, 70–71, 102, 155, 180, 189, 191–92
 Civil Religion, 180
 establishment of religion, 62–63, 86
 freedom of religion, 62, 252
 Religion of Humanity, secular religion, 190n3
 separation of religion and state, 52
 Renaissance, 45–46
 Italian Renaissance, 46
 Renaissance humanists, 28
 Republican Party. *See under* United States
 revolutionary movements, 157
 Revolutionary War (American), 50
 Rhodes, Cecil, 110
 Ricardo, David, 47, 77, 83
 Richter, Eugen, 7, 248
 right centrists, center-right people, 122.
 See also “extreme right-wing”

rights, rights of individuals, individual rights, universal natural rights, 21, 23, 26, 26n12, 30, 31–33, 52, 55, 59, 78, 80, 94, 106, 108–9, 112, 114–15, 118, 168, 176, 178, 190, 224, 232, 241, 252, 252n24, 253–54
 alienation of, 178. *See also under* Marx, Karl
 charters of rights, 25. *See also* Bill of Rights, Declaration of the Rights of Man, Magna Carta
 civil rights, 55, 234. *See also under* liberty
 human rights, 232n30, 120
 neutral rights, rights of neutral countries, 229–30
 property rights, 30n18, 34–36
 woman’s rights, “reproduction rights” (abortion, birth control, etc.), 124
 Rio de Oro, 217
 robber barons, 85, 126–27
 Roberts, Paul Craig, 123–24, 195–96, 203
 Robespierre, 182, 225
 Rockwell, Lew, 7, 11, 14, 251
 Roman Empire, Roman Republic, Rome, Romans, 23, 27, 32, 48, 85, 85n44, 102, 159, 179, 199
 Colosseum sacrifices, 27
 Romanians, 104–5, 215, 221
 Roosevelt, Franklin, 43, 127, 228, 228n23, 242, 244, 25
 Roosevelt, Teddy, 126
 Hoover, Raymond de, 46
 Rosenberg, Nathan, 135
 Rothbard, Murray, 7, 14, 46–47, 53, 57, 59, 61, 61n39, 77, 83–84, 84n43, 90–91, 96, 97n22, 120, 165n13, 194, 229, 255
 Rousseau, Jean-Jacques, 14, 16, 38n28, 59, 69, 78, 174–83
 “The Lawgiver” vs “The Legislator,” 178–79
 Ruby Ridge, Weaver family, 256, 256n30
 Rumbold, Richard, 53
 Rummel, R. J., 113–14, 114nn2–3, 115, 117–19, 122
 Russell, Bertrand, 154, 224–25

- Russia, 24, 27, 31–32, 57, 74, 76, 98n27, 104–5, 134–35, 166–67, 195, 200–4, 206–10, 213–14, 216–18, 220–23, 239, 241, 245. *See also* Soviet Union
- Catherine the Great, 35, 57
- Great Russia, 220
- Minsk, 209
- “October Revolution,” “Great October,” “Red October,” 166, 202
- peasant uprisings, 30n18
- Peter and Paul Fortress, 198
- Peter the Great, 35
- Red Guards, 203
- Russian Civil War, 203
- Russian dissident, 168n19
- Russian Empire, 217–18, 238
- Russian government, 220
- Saint Petersburg, 35, 198, 222, 224
- tsar, 27, 166, 198, 202, 223
- White Russia. *See* Belarus
- Ryan, Alan, 67
- Sabine, George, 66
- Sadler Report, 131n26
- Saint Ambrose, 25–26
- Saint Augustine, 26–27
- City of God, 27, 181
- Saint Thomas Aquinas, 28
- Scholastic philosophy, 28–29. *See also* Iberian Scholastic school
- Thomism, 45
- Saint-Simon, Henri de, Saint-Simoniens, 78, 153, 184–85, 187–94
- San Francisco, 19, 131
- Satan, 141, 144
- Saudi Arabia, House of Saud, 240
- Say, Jean-Baptiste, 80, 82–84, 96
- Schlieffen plan. *See* under von Schlieffen
- Schneider-Creusot (French arms company), 219
- Schoeck, Helmut, 161–63
- the School of Salamanca, 28, 46
- Schumpeter, Joseph, 42, 59, 59n34, 91, 109, 109n46, 149, 149n37, 152, 154–58, 165, 170
- Schurz, Karl, 107
- secession, 253–56
- Sen, Amartya, 170, 170n26
- Serbia, Serbians, 105, 215, 220–22
- Greater Serbia, 220
- Serbs, 104–6, 215, 220, 222
- Sharon, Ariel, 255
- Shaw, George Bernard, 157
- Sherman Antitrust Law, 126
- Sherman (General), 254
- Shiite Muslims. *See* Arab Muslims
- Siberia, 199
- Sinclair, Upton, 157
- Skidelsky, Lord Robert. 75–76, 81
- Škoda (Austrian arms company), 219
- slavery, 33n21, 67–68, 80, 89, 96, 115, 123, 129–30, 177, 181, 199–200, 253–54, 256
- slave labor camps, 208
- wage slaves, 193
- Slovaks, 104, 215, 221, 239
- Smith, Adam, 58–59, 59n34, 60, 65, 77–78, 83, 106, 147, 166, 179
- Smith, Goldwin, 103
- Smith, Sydney, 61, 106
- Smith, Winston, 125
- social contract, society of contract, 158, 177–78, 181. *See also* Locke, John; Rousseau, Jean-Jacques
- socialism, 14, 44–45, 73, 75–76, 92n10, 94, 144–45, 150, 150n38, 153, 158, 160–61, 166–67, 171, 174, 176, 182–85, 187, 193, 196, 200–3, 206, 214n5, 234, 238, 244–45, 247. *See also* liberalism
- American Socialist Party, 233–34
- Bohemian socialism, 185
- democratic socialism, social
- democrats, social democracy, 42, 44, 65. *See also* Canada: Labor Party; England: Social Democratic Party; Germany: Social Democratic Party; United States: Democrat Party
- Marxist socialism, 200
- National Socialism (Italian fascism, German Nazism), 75, 154, 157, 171, 207, 211
- protosocialism, 180
- utopian socialist, 78, 161, 174, 183–84, 187

- society, 20, 30n18, 35, 37, 43–45,
54–56, 56n29, 57, 59–61, 61n38,
63–64, 68, 70, 72, 78–80, 83–84,
85, 87, 92, 95, 97, 107–9, 114, 118,
123–24, 126, 133, 145–46, 151,
154–55, 158, 161–62, 165, 167–68,
174, 176, 176n33, 177–80, 184–85,
190–93, 196–98, 200–1, 204–5, 212,
220–22, 249–50
agricultural society, 30
American society, 92, 120
ancient society, 191
bourgeois society, 38n28
British society, English society,
English Victorian society, 70,
125, 130, 188
capitalist society, Western society,
155, 162, 174, 184n51
civil society, 21, 43, 45, 57, 64, 108,
166, 176n33, 212
classless society, 95, 162
communist society, 196, 198, 200,
204
consumer society, 150
European society, 188
feudal society, 191
free society, laissez-faire society, 49,
56, 84n43, 111, 114, 120, 166
French society, 87
future society, 196
Greek society, 190
liberal society, 145
modern society, 110, 188, 191
organic society, 190–92
planned society, 196–97, 201, 205
salon society, 175
society of status vs society of con-
tract, 158
static society, society of total stabil-
ity and adherence to the status
quo, 145, 188–89
utopian society, ideal society, 161,
179, 184
sociology, sociologist, 41, 82, 107, 149,
154, 156, 161, 179, 189, 190n3, 225
Solon, 179
Solzhenitsyn, Aleksandr, 209
Somalia, 218
South America, 162
Southern Constitution, 253. *See also*
American Civil War; Confederate
States of America
Southey, Robert, 142–45
Soviet Union, 72–74, 76, 95, 113–14,
114n2, 115, 119, 150, 150n38,
165–68, 168n19, 195, 201–3, 205–10
Gorbachev, Mikhail, 203
Red Terror of the Cheka, 206, 208
“samizdat,” 167
Soviet communism, 74, 81, 208–9,
153, 166, 168, 208
Soviet gulag, 16
“Soviet man,” 70
Sozialpolitik, 214n5, 247n16
Spain, Spanish, Spaniards, 20, 35–37,
47–48, 61, 106–8, 108n45, 145, 200,
213, 217, 252, 256. *See also under*
Habsburgs; Jews
armada, 37
Basques, 256
Castile, the Cortes, 24, 48, 108
Catalans, 256
Philip II, 37
Spanish Civil War, 200
Spanish Empire, 36–37
Spanish Inquisition, 36
Spanish monarchy, Spanish crown,
36, 48
Spanish Netherlands, 36
Spanish Scholastics, 49, 59, 108. *See*
also School of Salamanca
Spanish-American War, 106, 217, 228
Spencer, Herbert, 53, 108–110, 117–18,
122
Spinoza, Baruch, 38
Stalin, Stalinism, 73–76, 114, 114n3,
117, 154, 165, 167, 205, 209–10
standing army, 56, 96, 107, 202
state of nature, 54
Stationers’ Company, 51
Stewart, Dugald, 60–62, 106
Stigler, George, 7, 150, 156, 163–65,
168–69
stock exchange, 34
Stone, Norman, 171
Stromberg, Joseph (“Joe”), 80, 232
Stromberg, Roland, 225–27
Suarez, Francisco, 47, 49

subjective theory of value (utility), 47.

See also objective theory of value
(labor input)

Sudetenland, 215, 239

suicidal pacifism, 110

Sumner, William Graham, 94, 107–8,
120, 122

Sunni Muslims. *See* Arab Muslims

Supreme Court. *See* United States: US
Supreme Court

Switzerland, 112, 202, 225

Talleyrand (Charles Maurice de
Talleyrand-Périgord), 237

Tanganyika, 217

Tawney, R. H., 225

taxation, taxes, 23, 25, 28, 28nn14–15,
29–30, 30n18, 36, 47–48, 50, 52, 60,
62, 80, 83, 100, 107–8, 118, 120, 132,
145, 159, 173, 248, 250–51

“tax-eating” classes vs “tax-paying”
classes, 99

taxpayers, 24, 29, 50, 109, 120, 250

Taylor, Harriet, 68–70

Taylor, John, 92

Templeton, Kenneth, 61n39

terrorist, 105, 182

“terrorists” vs “freedom fighters,”
222

Thierry, Augustin, 71, 82

Third Reich. *See under* Germany

Third Republic. *See under* France

Thompson, E. P., 137–38, 138n4

Tönnies, Friedrich, 225

totalitarian, 31, 71–72, 78, 119

Toynbee, Arnold, 225

Transvaal, 109

Transylvania, 215, 221

Treaty of Versailles, 122, 127, 238–40

Trenchard, John, 54, 54n23. *See also*
Gordon, John

Triple Alliance, 216, 218

Triple Entente, 122, 217, 237–38

Trotsky, Leon, Trotskyists, 73, 144, 153,
198, 203–5, 207

Truman, Harry, 244

Tucker, Jeffrey (“Jeff”), 211

Tunisia, 216

Turgot, Anne Robert Jacques, 57, 59,
64, 77, 97, 111, 166

Turner, Henry Ashby, 172–73

Ukraine, 30

Ukrainian famine, 73, 76, 208

unionized workers, 91

United Kingdom, 98n27, 101n36,
241n3

United States, 29, 41–42, 45, 86, 92,
101, 104–8, 115–16, 118–20, 123–24,
126–28, 155, 169, 195n11, 199n18,
209n38, 212, 225–26, 229, 231–32,
241, 243, 253, 255

“American System,” 92

CIA, 119, 122

Democratic Party, 45

NSA, 119

Pentagon, 98

Republican Party, 121, 249

US Congress, 62, 122, 130 – 31,
137, 252, 255

US Constitution, 252–53. *See also*
Bill of Rights; constitution; Four-
teenth Amendment

US invasion of Iraq (2003), 125n22,
195n11, 233n32

US Senate, 127

US State Department, 105, 228n25

US Supreme Court, 232, 253, 255

Upper Silesia, 239

USS *Liberty*, 117

Van Dyke, 25

Vickers (British arms company), 219

Vietnam, 105, 129, 218, 242

Vietnam War, 105, 242–43

Villalobos, Henrique de, 48

Viner, Jacob, 28

Vitoria, Francisco di, 47, 49

Voltaire, 64, 174–77

von Schlieffen, 221

von Schlieffen plan, 221, 223, 226

von Westphalen, 193

Waco Massacre. *See* Branch Davidians

Walwyn, William, 51

War Industries Board, 231

- Washington (DC), 122, 212, 231, 244, 250, 254, 257
 Washington, George, 100, 212
 Waterloo. 62, 132
 Webb, Beatrice, 73, 74–76
 Webb, Sidney, 74–76
 Weinberger, Otto, 90n5
 welfare state, 16, 148, 157, 213, 244–46, 248–49, 249n20, 250
 Polizeistaat, 245
 “social state,” 248
 Wells, H. G., 158
 Western Christendom, Latin Christendom, 29, 157
 White Russia, 209. *See also* Belarus
 Wiesel, Eli, 105
 William Volcker Fund, 61n39
 Wilson, Edmund, 214
 Wilson, Woodrow, 14, 127, 174, 226–27, 227nn20–21, 228–29, 230n26, 231, 233–35, 237–38
 “Fourteen Points” speech, 237
 neo-Wilsonian, neo-Wilsonianism, 113, 229
 Wilsonianism, 112
 Winstanley, Gerrard, 52
Wirtschaftswunder (European economic miracle), 37, 37n25, 55, 60, 166, 168, 176, 180, 183, 187, 188, 193, 198–99, 201–2. *See also under* Netherlands
 Wolfowitz, Paul, 243
 World War I, First World War, 96, 116, 122, 127, 157, 166, 211–13, 215–18, 224, 226, 231–32, 233n32, 241
 First Battle of the Marne, 226
 World War II, Second World War, 37n25, 92, 92n10, 105, 122, 127, 129, 171, 199, 231–32, 232n3, 237, 239, 242
 Yugoslavia, 105, 199, 220
 Zionists, 121, 241
 Zola, Émile, 157

